HM Treasury

Treasury Minutes

Government responses to the Committee of Public Accounts on the Forty Second to the Forty Fourth and the Forty Sixth to the Sixty Fourth reports from Session 2016-17

Cm 9505

October 2017

Treasury Minutes

Government responses to the Committee of Public Accounts on the Forty Second to the Forty Fourth and the Forty Sixth to the Sixty Fourth reports from Session 2016-17

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

Cm 9505 October 2017

TREASURY MINUTES DATED 12 OCTOBER 2017 TO THE COMMITTEE OF PUBLIC ACCOUNTS ON THE FORTY SECOND TO THE FORTY FOURTH AND THE FORTY SIXTH TO THE SIXTY FOURTH REPORTS FROM SESSION 2016-17

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Forty Second Report of Session 2016-17

Department for Work and Pensions

Benefit Sanctions

Introduction from the Committee

A benefit sanction is a reduction or suspension of benefit payments because a claimant has not met conditions for receiving benefit. For example, Jobseeker's Allowance claimants are required to attend jobcentre appointments and the Department for Work and Pensions may sanction people who fail to attend them. The Departments uses sanctions for two reasons: to encourage more people to comply with conditions and to penalise claimants for not meeting their responsibilities. The Department believes that complying with conditions helps some claimants find work. A typical sanction lasts four weeks and means a Jobseeker's Allowance claimant loses around £300. In 2015, the last year for which there is complete data, the Department imposed 400,000 sanctions on benefit claimants.

On the basis of a report by the National Audit Office, the Committee took evidence, on 12 December 2016, from the Department for Work and Pensions, and the Treasury about Benefit Sanctions. The Committee published its report on 21 February 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: Benefit sanctions - Session 2016-17 (HC 628)
- PAC report: Benefit sanctions – Session 2016-17 (HC 775)

1: Committee of Public Accounts conclusion:
Benefit sanctions affect a large number of people, sometimes leading to hardship and undermining efforts to find work.

Recommendation:
The Department for Work and Pensions should undertake a trial of warnings (rather than sanctions) for first sanctionable offences, as recommended by the independent Oakley Review and the Work and Pensions Select Committee.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2018.

1.2 The Department will assess the feasibility of undertaking a trial of warnings for the first sanctionable offence. A legislative change will be required prior to any trial being commenced. Current legislation does not provide the Department with the authority to adopt a trial of warnings approach for first sanctionable offences. The Department will report its findings in the Treasury Minute Progress Report in January 2018.

2: Committee of Public Accounts conclusion:
Sanctions are imposed inconsistently on claimants by different jobcentres and providers

Recommendation
The Department should monitor variation in sanction referrals and assess reasons for the differences across jobcentres. It should monitor the use and take-up of protections for vulnerable groups, reporting back to the Committee by the end of 2017.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2018.

2.2 The Department will monitor variation in sanction referrals and assess the underlying causes.

2.3 Due to the nature of Labour Market protections for vulnerable claimants, it is not currently possible to extract data on the application of such protections. However, the Department will explore the feasibility of building such capability and report on progress in the Treasury Minute Progress Report in January 2018.

3: Committee of Public Accounts conclusion:
The Department's data systems are not yet good enough for it to routinely understand what effect sanctions have on claimants' employment prospects

Recommendation:
The Department should report back to the Committee by the end of 2017 on its progress in improving data systems, including on linking earnings outcomes to sanctions data, and addressing recommendations for* better information *made by the UK Statistics Authority and National Audit Office.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2018.

3.2 The Department has started investigative work to review and utilise new data sources to determine start and end dates and durations of sanctions. This is a complex technical task so development is expected to continue to the end of September 2017.

3.3 The Department provided *written evidence*[1] to the Committee in response to the NAO review, giving a broad indication of timescales around developments to enhance sanction statistics throughout 2017. The Department has commenced investigations into the relevant data sources, including earnings data, with the intention of linking this to sanctions data by the end of 2017.

3.4 The UK Statistics Authority has been made aware of these improvements and will be kept informed of progress throughout 2017.

3.5 The Department will report back to the Committee on progress in improving data systems in the Treasury Minute Progress Report in January 2018.

4: Committee of Public Accounts conclusions:
The Department does not understand the wider effects of sanctions.

Recommendation:
The Department should work with the rest of Government to estimate the impacts of sanctions on claimants and their wider costs to government and report back to us on progress by the end of 2017.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2018.

4.2 The Department will work with other Government Departments and Local Authorities to understand how claimants and their services are affected following a benefit sanction. The Department will report back on progress in the Treasury Minute Progress Report in January 2018.

5: Committee of Public Accounts conclusions:
The impacts of sanctions can be worse for people with housing-related barriers to employment.

Recommendation 5:
The Department should work to better understand the relationship between sanctions and the housing-related barriers to employment that some people face. It should set out what more it will do to assure itself that Housing Benefit is not being stopped in error due to sanctions.

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[1] http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/public-accounts-committee/benefit-sanctions/written/44767.html

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2018.

5.2 To help claimants with housing-related barriers to employment the Department already has an easement which allows work conditionality to be temporarily switched off, for example, whilst a person who is homeless finds accommodation. The Department will explore how it can better understand the relationship between sanctions and the housing-related barriers to employment, in particular looking at the application of the conditionality easement for people who are homeless.

5.3 The Department found no specific evidence that Housing Benefit is being stopped due to a sanction. The Department acted on concerns raised and has reissued specific guidance to local authorities as a safeguard. The Department will continue to monitor the situation and investigate any individual cases, where it receives relevant information either from individuals or external organisations, so that the Department can address any specific concerns.

5.4 The Department will report back on progress in the Treasury Minute Progress Report in January 2018.

Forty Third Report of Session 2016-17

Department of Health

Financial sustainability of the NHS

Introduction from the Committee

In 2015–16, the Department of Health allocated £100.9 billion to NHS England to plan and pay for NHS services. The greatest share of this budget was spent by 209 clinical commissioning groups which largely bought health care from 86 NHS trusts and 152 NHS foundation trusts. The Department is accountable to Parliament for ensuring that all spending by the Department, NHS England, NHS Improvement, other arm's-length bodies and by local NHS bodies is contained within the overall budget authorised by Parliament. The Department has made NHS England and NHS Improvement responsible for ensuring the NHS balances its budget.

A significant number of Trusts are in serious and persistent financial distress and many are struggling to make efficiencies and improve their financial position. In November 2015, the Government committed to increasing funding for the NHS by £8.4 billion by 2020. Included in this was £2.14 billion for the Sustainability and Transformation Fund in 2016–17, of which £1.8 billion will be used to help trusts sustain services and reduce deficits in 2016–17. In December 2015, health and care leaders were asked to come together to develop five-year sustainability and transformation plans for the future of health and care services in their area.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence from the Department of Health, NHS England and NHS Improvement on NHS financial sustainability. The Committee published its report on 27 February 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *Financial sustainability of the NHS – Session 2016-17* (HC 785)
- PAC report: *Financial sustainability of the NHS – Session 2016-17* (HC 887)

1: Committee of Public Accounts conclusion:
Since the Committee's previous reports in 2015 and 2016 the financial performance of NHS bodies has worsened considerably and this trend is not sustainable.

Recommendation:
The Department, NHS England and NHS Improvement should set out a clear and transparent recovery plan by March 2017 which targets those NHS bodies and health economies in severe financial difficulty.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 The Government's 2017–18 mandate for NHS England included clear expectations that NHS England and NHS Improvement will together ensure overall financial balance in the NHS, and that all parts of the system meet their financial controls.

1.3 The next steps in delivering the *Forward View*[2] expands upon the measures taken to meet these expectations, as presented in the joint NHS England and NHS Improvement publication, *Strengthening Financial Performance and Accountability in 2016/17*, published in July 2016. These measures include incentives and controls for local bodies, such as: financial controls for individual organisations; access to the Sustainability and Transformation Fund; exemptions from the default fines regime; and, operation of a financial special measures regime for those bodies in severe financial difficulty.

[2] www.england.nhs.uk/five-year-forward-view/

1.4 Trusts in financial special measures will agree and implement a recovery plan and receive a package of intensive support from NHS Improvement designed to tackle financial failure, while maintaining or improving their quality of care. Measures are specific to each organisation, but may include: further regulatory action such as removal of autonomy over key spending decisions; changes in leadership; restrictions on levels of surplus assets and access to financing support; and, restricted eligibility to lead on transformation programmes or organisational transactions.

1.5 A new Capped Expenditure Process has been launched, initially for the 13 Sustainability and Transformation Plan (STP) areas with the greatest variation from their control totals, requiring organisations to re-prioritise their spending to ensure that the health economy can live within its available resources, while also meeting their obligations in terms of high-quality patient care.

2: Committee of Public Accounts conclusion:
There are indications that measures taken to restore financial stability are affecting patients' access to services and their overall experience of care.

Recommendation:
The Department and NHS England should report back to the Committee by July 2017 on what they have done to understand the association between financial performance and the impact on patient care.

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

2.2 NHS Improvement's oversight framework[3] provides the basis for overseeing the provider sector and facilitating rapid performance improvement where required, by focusing on five themes that carry equal prominence. These themes are quality of care, finance and use of resources, operational performance, strategic change and leadership and improvement capability. NHS Improvement is also working with the Care Quality Commission to bring together assessments of quality and finance, so that providers deemed to be successful must deliver fully on both dimensions.

2.3 In its CCG Improvement and Assessment Framework[4], NHS England has set out that the triple aim for CCGs is to improve the health and wellbeing of the whole population; provide better quality for all patients, through care redesign; and, offer better value for taxpayers in a financially sustainable system. Alongside other areas such as leadership and finance, patient-related metrics make up 50% of the total weighting in CCG assessments through the framework. NHS England has a statutory duty to conduct an annual performance assessment of every CCG and to aid transparency for the public, and CCG benchmarking against peers. In July 2017, NHS England published the year-end CCG annual assessment for 2016–17 setting out both the overall ratings and the relative performance on indicators.

2.4 The Department, NHS England and NHS Improvement never consider finance in isolation from the impact on quality of care. There is a relationship between finances and performance, but it is not a straightforward one. Trusts all over the country provide quality services while maintaining financial discipline. The Department expects Trusts to deliver on both. However, there is a strong correlation between trusts with a good financial balance and an outstanding CQC rating, suggesting that the best performing systems balance finance and quality care.

3: Committee of Public Accounts conclusion:
The repeated raids on investment funds in order to meet day-to-day spending could result in ill-equipped and inefficient hospitals.

Recommendation:
The Department, NHS England and NHS Improvement should review and improve national and local planning for capital expenditure in order to call a halt to crisis driven transfers out of capital budgets to meet day to day revenue spending, which is not good value for the taxpayer or the future of the estate.

[3] https://improvement.nhs.uk/resources/single-oversight-framework/
[4] https://www.england.nhs.uk/commissioning/ccg-assess/

3.1 The Government disagrees with the Committee's recommendation.

3.2 The Government does not agree that transfers between capital and revenue are "crisis driven". As part of prudent forward planning, it was recognised at the time of the Spending Review the potential need to transfer resources from the capital budget in order to help meet overall spending priorities. A facility was agreed with the Treasury allowing planned transfers up to a set limit in each year and £1.2 billion was transferred from the Department's capital budget to revenue in 2016–17 through the Supplementary Estimates process. The Department is committed to ensuring that the NHS has the capital resources it requires and is planning to reduce the level of transfer with the aim of eliminating it entirely by the end of the Spending Review period.

3.3 The Government has already committed additional capital of £425 million to deliver immediate transformation priorities and support A&E departments, and is considering further options. Given the limited amount of capital to address both the transformation of the NHS set out in the *Five Year Forward View* and to tackle the ongoing challenge of backlog depreciation, NHS England, NHS Improvement and the Department are working closely together to undertake detailed prioritisation and planning and to maximise receipts from disposal of surplus estates in response to the challenge laid down by the Chancellor at Spring Budget 2017.

3.4 The Government is continuing to seek improvements in planning for capital expenditure. NHS capital is largely decentralised to local organisations, although the overall budget is set annually and monitored monthly. For the last 10 years the outturn has regularly been below the level of capital available, and significantly below the level the NHS initially planned, which makes national planning challenging. The transfers to revenue have been largely planned and managed through this natural slippage. Under the decentralised system NHS organisations draw up their own investment plans in line with priorities, agreed strategic plans and affordability.

4: Committee of Public Accounts conclusion:
NHS England and NHS improvement have much more to do before the public can feel confident that local sustainability and transformation plans are about delivering transformation and efficiencies and not just a cover for cuts in services.

Recommendation:
In its analysis of the 44 sustainability and transformation footprints, due by the end of March 2017, NHS England and NHS Improvement should set out how they will support organisations to deliver real transformation in the areas where plans fall short. They also need to convince the public of the benefits of the plans to them.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 NHS England and NHS Improvement are together supporting the STP areas to develop robust, deliverable plans; for example, following the initial submission of plans in June 2016, they offered STPs advice and expertise, as well as publishing guidance on a range of issues, including stakeholder engagement. The *Next Steps on the NHS Five Year Forward View* outlined how STPs will be supported, implemented and developed further. For example, NHS England and NHS Improvement will continue to support STPs, including: initiating a formal appointment process for STP leaders; giving the strongest STPs greater access to NHS England resources, advising on emerging governance models and, providing hands-on support for local implementation. Funding will also be provided to all STPs on a pro-rata basis to enable the fast assembly of teams and to employ STP leaders, aiding rapid progress.

4.3 All plans have been in the public domain for several months. Partner organisations within each STP area are engaging local communities on their plans and consulting on service change where required.

4.4 In July 2017 the schemes were announced that will receive the £325 million additional capital for transforming services in better performing STPs.

5: Committee of Public Accounts conclusion:
With extreme pressures on funding, the social care system is unable to meet demand, placing enormous extra pressure on NHS services.

Recommendation:
The Department and NHS England should assess the impact that financial pressure in social care is having on the NHS, so that it can better understand the nature of the problem and how it can be managed. It should publish the findings of its analysis by July 2017.

5.1 The Government disagrees with the Committee's recommendation.

5.2 The Department and NHS England understand the importance of strong and effective social care and its benefits to the NHS. This includes supporting people in their communities, avoiding unnecessary hospital admissions and getting people back to their homes after a hospital stay as safely and quickly as possible. The Better Care Fund (BCF) was introduced to make best use of the funds available across health and social care in order to deliver integrated services.

5.3 Spending Review 2015 and Spring Budget 2017 made available, from April 2017, further social care funding for local government – distributed through the Improved Better Care Fund (IBCF) grant. The £2 billion announced at Spring Budget 2017 means that this funding will total nearly £4.5 billion over the next three years. The Department also introduced a social care precept that gives local authorities flexibility to raise further funds if they so choose.

5.4 The Department has attached a set of conditions to the IBCF grant, to ensure it is included in the BCF at local level and will be spent on adult social care. It may only be used for the purposes of meeting adult social care needs; reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready; and ensuring that the local social care provider market is supported.

5.5 The Department will be monitoring the impact of this additional funding. In the longer term, the Department will work with partners at all levels, including those who use services and who work to provide care, to bring forward proposals for public consultation. The Department will consult on options to encourage a wider debate. The consultation will set out options to improve the social care system and to put it on a more secure financial footing, supporting people, families and communities to prepare for old age, and address issues related to the quality of care and variation in practice.

6: Committee of Public Accounts conclusion:
The Department, NHS England and NHS Improvement do not yet understand whether, and how, they can realistically expect local bodies to deliver all that is being asked of them.

Recommendation:
The Department, NHS England and NHS Improvement should publish by March 2017 its assessment of whether there is the capacity in NHS bodies to deliver everything they are expected to within the agreed timeframes.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 The *NHS Five Year Forward View* was announced two-and-a-half years ago and set out why improvements were needed on the triple aim of better health, better care, and better value. The delivery plan and *Next Steps on the NHS Five Year Forward View* was published by NHS England on 31 March 2017, to explain the progress to date, the changes that will take place across the health service in key areas over the next two years (cancer care, mental health services, access to GP services, care for older people, driving efficiency and tackling waste) and how the *Forward View's* goals will be implemented.

6.3 In order to deliver these goals the document sets out that there will be reliance on effective local action by NHS bodies and their partners across the country, but it is also the case that NHS' national leadership bodies will have to play their part, supporting local change with national action. The national NHS leadership will act coherently, providing meaningful local flexibility to local leadership, and backing diverse solutions.

6.4 The next steps document sets out how the NHS will work to accelerate service redesign locally. And to enable these necessary changes, it sets out how the NHS intends to focus on the enablers of this redesign, namely through workforce leadership, safer care, technology and innovation.

Forty Fourth Report of Session 2016-17

Department for Transport

Modernising the Great Western Railway

Introduction from the Committee

Modernising the Great Western Railway involves upgrading infrastructure, trains and passenger services along the rail route that connects London with south-west England and south Wales. The Department for Transport expects electrification of the railway line to increase capacity, reduce journey times, reduce operating costs and generate environmental benefits. The programme has seen significant cost increases and is taking longer than expected, and in November 2015 Network Rail replanned the modernisation programme. Electrification of the railway line between Maidenhead and Cardiff is now expected to cost £2.8 billion, which is an increase of £1.2 billion against the estimated cost of the project in 2014. The Department also currently expects to incur costs of up to £330 million as a result of delays to electrification. Electrification of some sections of the route will be delayed by up to 36 months. Some parts of the electrification project, such as between Bristol Parkway and Bristol Temple Meads, have been deferred to the next rail investment period (2019–2024). The Department is revising its business case for the entire modernisation programme, which is expected to be completed in March 2017.

On the basis of a report by the National Audit Office, the Committee took evidence, on 14 December 2016 from the Department for Transport, about progress in delivering plans to improve passenger services on the Great Western Main Line through infrastructure and new trains. The Committee published its report on 3 March 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *Modernising the Great Western Railway* – Session 2016-17 (HC 781)
- PAC report: *Modernising the Great Western Railway* – Session 2016-17 (HC 776)

1: Committee of Public Accounts conclusion:

It is not clear whether the Great Western electrification project can be delivered to the revised target of December 2018 and budget of £2.8 billion.

Recommendation:

Network Rail must ensure that all risks to the project are identified, monitored and controlled and use this information to identify with the Department the critical path for the whole modernisation programme, setting out how the infrastructure, new trains and planned services will interact with each other by March 2017.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 The Department chairs the Great Western Route Modernisation Programme Board which brings together Network Rail, the Intercity Express Programme and Great Western Railways as well as other key stakeholders. The Board monitors and mitigates risks as part of its role.

1.3 Network Rail has produced an Integrated Industry Schedule which shows the critical path for the Programme with interactions required by the industry for the successful delivery of passenger benefits. It is comprised of more than 4,000 activities, including activities for the introduction of the new Intercity Express Programme trains later in 2017 and the enhanced timetable with additional services from December 2018. This is a key document for the governance and assurance of the Programme and is monitored by Programme Board. Since May 2016, these activities have been constantly refined with additional primary and secondary critical paths created and monitored.

1.4 This process of monitoring and refining these critical paths has allowed Network Rail and the Department to highlight and resolve issues that were concurrent across delivery areas. This also provided a mechanism for Network Rail to perform a Quantitative Schedule Risk Analysis on the electrification programme.

2: Committee of Public Accounts conclusion:
Network Rail failed to plan the infrastructure work properly.

Recommendation:
Network Rail must improve its ability to produce realistic cost estimates, including making greater use of data from completed projects. Network Rail must make sure that robust and detailed plans, including a critical path, are in place for infrastructure projects before starting construction works and consider whether an Order under the Transport and Works Act would be preferable to multiple individual planning consents and other approvals.

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

2.2 Understanding uncertainty and producing robust cost estimates are vital prerequisites of informed investment decisions. For this reason, Network Rail will no longer take forward projects until development work is complete and there is a greater level of certainty surrounding project cost, scope, delivery timescale and critical path.

2.3 A clear development phase for projects will also ensure time to consider the most appropriate method for securing the consents required – including Orders under the Transport and Works Act or Development Consent Orders.

2.4 For some projects, such as those that are unique or first-of-a kind, the lack of bench-marking data will mean that there will continue to be a higher level of uncertainty surrounding a forecast. Where this is the case Network Rail will be clear about the level of uncertainty surrounding the estimate and, where appropriate, express cost estimates as a range to reflect this.

2.5 Network Rail has also developed a comprehensive programme to improve the capacity and capability of its in-house cost-planning team by building a significantly strengthened team of cost-planners, integrated IT platforms and new controls and governance around the assurance and sign-off of estimates. This includes a standard method of estimating and quantifying uncertainty that is based on the actual cost of comparable projects in the past relative to original estimates.

3: Committee of Public Accounts conclusion:
The Department failed to challenge Network Rail's plans effectively despite the very significant sums of public money at risk.

Recommendation:
The Department must ensure that it has obtained suitable assurance over cost and deliverability before taking decisions on infrastructure investment and other major decisions which depend on infrastructure being available. It must set out how it will continue to develop its own programme management expertise, and how it will use this to monitor Network Rail's delivery.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 The Memorandum of Understanding between the Department and Network Rail published in March 2016 commits both parties to robust assurance of project and programme cost and deliverability through strengthened joint governance, greater transparency of management information and the alignment of assurance frameworks. This joint approach provides greater assurance, at an appropriate level, to the Department on cost and deliverability on which to base investment decisions and other major decisions. Significant steps have been made implementing this joint approach. The Department is reviewing the joint decision gateways, such that future schemes can only progress with sufficiently mature cost, benefit and risk estimates, and the assurance from Network Rail of the scheme's deliverability.

3.3 The Department recognises the importance of continuing to develop its programme management expertise. Project and programme leadership training is taken by all grades of project and programme staff. The Major Projects Leadership Academy, a development course run in conjunction with Infrastructure and Projects Authority and Oxford University, provides rigorous training for senior staff to ensure they have the leadership, commercial and project delivery skills required to successfully deliver major projects.

3.4 Similar schemes are available for junior staff, including the Project Leadership Programme, an initiative run by the Infrastructure and Projects Authority and Cranfield University.

4: Committee of Public Accounts conclusions:
The Department failed to integrate all the elements needed to deliver benefits for passengers successfully at the planning stage, and did not manage the programme in a joined-up way.

Recommendation:
The Department and Network Rail need to ensure that they plan major developments to rail services in a way which brings together trains, infrastructure work and the operation of services. As part of this, they should obtain independent assurance on the deliverability of their plans. The Committee will expect to see this approach on forthcoming major programmes including the Midland Main Line and TransPennine upgrades.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The Department and Network Rail are working together to ensure that future major developments to rail services are fully integrated, bringing together trains, infrastructure work and the operation of services from the very beginning by learning lessons from the Great Western Route Modernisation programme. This has helped develop integrated governance through the Programme Boards and an integrated industry programme schedule to be used as models of best practice for future investments.

4.3 The Department and Network Rail recognised the importance of assurance in the Memorandum of Understanding between both parties. The Department has jointly developed an Integrated Assurance Model in conjunction with the Infrastructure Projects Authority and the ORR. This model reflects best practice in the field and makes provision for the Department to obtain independent assurance at key decision points.

4.4 This approach to integration and assurance is in place and is applied across the projects and programmes in the Department's investment portfolio, including investment in the Midland Main Line and TransPennine routes.

5: Committee of Public Accounts conclusions:
The Department's claim that nearly all the benefits for passengers can be achieved without full electrification of the route casts doubt on the value for money of this and other electrification schemes.

Recommendation:
The Department needs to reassess the case for electrification on a section by section basis and fund schemes only where worthwhile benefits for passengers could not be achieved otherwise at lower cost. In its new business case for the Great Western programme, which it expects to complete by the end of March 2017, it should reassess the extent of electrification, and it should also look again at its plans for the Midland Main Line and TransPennine routes.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2017.

5.2 The Department has now refreshed the benefit cost ratio for the route using updated information on costs and benefits. Furthermore, the Department is undertaking a full overhaul of the Programme's business case, incorporating recent changes to the scheme, which will ensure the Department continues to make decisions to deliver the benefits to passengers of improved services, whilst ensuring value for money for the taxpayer. A key input to this will be the 2018 Great Western Mainline timetable, which is currently being developed by industry. The final business case, incorporating this information, will be completed by the end of 2017. In the meantime, the Programme will benefit from the updated benefit and cost information emerging during the production of the business case.

5.3 The Department is ensuring the entire portfolio of railway upgrades will continue to be subject to ongoing assessment and investment decisions.

Forty Sixth Report of Session 2016-17

Department for Culture, Media and Sport

National Citizen Service

Introduction from the Committee

Since 2011, over 300,000 16- to 17-years-old have participated in the National Citizen Service (NCS). The Government's stated ambition is for NCS to become a 'rite of passage' for young people and lead to a more cohesive, responsible and engaged society. NCS usually takes place over four consecutive weeks and involves groups of 12 to 15 young people undertaking together: an outdoor residential course to improve team building skills; a residential course to learn life skills and prepare for independent living; and a community project, such as planting a communal garden or arranging a family fun day.

In July 2016, the Department for Culture, Media and Sport took responsibility for the Office for Civil Society (OCS), and therefore NCS, from the Cabinet Office. NCS is managed by the NCS Trust, a community interest company funded by the OCS. The Trust currently contracts nine providers, across 18 regions, to deliver NCS. It delivers NCS directly in one region where it stepped in after the then provider failed to deliver. In February 2016, the OCS set an ambitious target to grow the number of NCS participation to 360,000 a year in 2020–21. In February 2017, the Department revised the target down to 247,000 in 2020–21. Between 2011–12 and 2016–17, OCS spent around £0.6 billion on NCS. Government has committed a further £0.9 billion, to NCS, to 2019–20.

On the basis of a report by the National Audit Office, the Committee took evidence, on 6 February 2017, from the Department for Culture, Media and Sport, the Cabinet Office, and the National Citizen Service Trust about the National Citizen Service. The Committee published its report on 14 March 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *National Citizen Service* - Session 2016-17 (HC 916)
- PAC report: *National Citizen Service* - Session 2016-17 (HC 955)

1: Committee of Public Accounts conclusion:
NCS has shown early signs of success but the Department for Culture, Media and Sport lacks the data to measure long-term outcomes or understand what works.

Recommendation:
The Committee expects the Department to establish a clear plan, and secure agreement with other Government Departments where necessary, by September 2017 for how it is going to evaluate the long-term impact of NCS.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: February 2018.

1.2. The first National Citizen Service (NCS) cohort will reach the age of 21 this year (2017), so it has previously been too early to establish the longer-term impact of the programme. Therefore, the Department agrees that now is the appropriate time to look at how to assess longer-term impact that goes beyond the commissioned yearly impact evaluations and 2 year on studies.

1.3. NCS Trust will support the Department in the coming months to publish a clear plan for further strengthening the evaluation of the long-term impact of NCS. The Trust is building a comprehensive programme of research focused on evaluating impact, improving service design and commissioning better outcomes and increases value for public money.

1.4. The plan will build further on the existing evaluation reports of NCS, all of which are available on the NCS Trust website:

- Independent impact evaluation of 2013 programmes.

- Independent impact evaluation of 2014 programmes and "one year on" impact of 2013 programmes (Ipsos Mori, 2015-16).

- Independent impact evaluation of 2015 programmes, "one year on" impact of 2014 programmes and "two years on" impact of 2013 programmes (Ipsos Mori, 2016-17) Independent research into the wellbeing impact of the NCS programme, both short and long term (Jump/Simetrica) UCAS Strobe research on 2014 participants confirmed that NCS participants are significantly more likely to get accepted into university. NCS Trust published this report on 1 May 2017.

1.5. A key component of this plan will be the feasibility study that the Department will shortly be commissioning to establish the best approach to measuring long term impact and value for money, for example how data sets could be linked across Government and how wellbeing impacts can be monetised. The results of this study will highlight which data sets the Department will want to access and therefore which other Government Departments to engage with to gain access to this data. For example, it might be that the study recommends that links are forged with Department for Education data to track the educational attainment of NCS graduates.

1.6 The Department is working carefully with the NCS Trust to prepare the invitation to tender for this study, and will select a suitable provider over the summer. This provider will then conduct the study in the autumn, providing the Department with initial findings in January 2018. Given the need to ensure the provider of the study is given sufficient time to conduct a comprehensive study and provide robust recommendations, the Department will not be able to share a plan with the Committee until this point. Similarly, until the provider has highlighted the specific datasets that will need to be accessed, the Department will not be in a position to approach and secure agreements from Departments across Government to access data.

2: Committee of Public Accounts conclusion:
Despite revising downwards the target for the number of NCS participants, the new target remains extremely challenging.

Recommendation:
The Department and Trust need to think radically about what meeting the revised targets means for how NCS is provided and works alongside other organisations. The Committee expects to see detailed plans to support achieving the revised participation figures within six months.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

2.2 The Department and NCS Trust are thinking radically about how NCS will be provided and how NCS will work alongside other organisations in the near future, as part of the recommissioning of the network.

2.3 Every Spending Review sets a funding package to fund a maximum number of NCS places. Funds are available for 247,000 participants by 2020.This is not a participation target, but rather sets a ceiling on the maximum number of participants the Treasury is budgeting for. The Department and NCS Trust use this settlement and limit to agree annual targets based on the Trust's latest projections of demand. This approach ensures that annual targets are realistic, achievable and incentivise the Trust to deliver value for money. The target for 2017 has been set at 101,000 places.

2.4 The Department and NCS Trust recognise how ambitious the trajectory of growth for the programme is. In order to help meet this challenge, the Trust is thinking radically about how NCS works innovatively alongside other organisations, through testing new delivery models and recommissioning their provider network. Alongside this, Government is working cross departmentally to support the programme to grow, for example through making links to the International Citizen Service via the Department for International Development and UCAS via the Department for Education.

2.5 In autumn 2016, the Trust ran a number of innovative 'Pathfinder' programmes with 18 organisations including local authorities, Cadets, and local youth clubs. The Trust will also be running additional innovation pilots over the summer designed to improve the reach, quality, impact and value for

money of the programme. These pilots will test new models of programme delivery and find new partners to deliver it. If and when these models prove successful, they will be rolled out across the network.

2.6 Insights and learning from the innovation pilots and the pathfinder programmes will also be fed into the recommissioning process, another key opportunity for the Trust to consider which organisations will be involved in the delivery of NCS. Currently, participant places will continue to be delivered via a supply chain network of over 200 organisations, more than 80% of which are from the public or VCSE sector, including 16 Local Authorities. This network will be refreshed during the phased re-commissioning process of the network starting in 2018, and the Trust will share a plan outlining this process with the Committee by spring 2018.

2.7 A guiding principle in the network re-design is the need to focus on local communities and organisations to achieve long term social impact. The Trust will be encouraging organisations of all shapes and sizes that meet a clear set of minimum requirements, to review and bid for the opportunity.

3: Committee of Public Accounts conclusion:
The Department highlighted the importance of safeguarding NCS participants.

Recommendation:
In its response to this report the Trust should provide us with details of how it will ensure safeguarding will be embedded as it expands.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 The safety of the young people is of paramount concern to NCS Trust. NCS has an excellent safety and safeguarding record, and its safeguarding processes are enhanced continuously. The main safeguarding measures currently embedded include:

- Safeguarding policies and procedures formally developed with the NSPCC in summer 2016;
- Online safeguarding training is provided by the Trust and mandated for all delivery staff. This content is professionally reviewed and re-developed annually;
- NCS Trust conducts pre-delivery assessments of all partner safeguarding procedures across all aspects of the NCS programme (including recruitment, training, and programme delivery);
- Critical incidents are managed with an independent expert agency, Pharos Response, which provides 24/7 incident cover; and
- Safeguarding reports detailing lessons learnt and recommendations for the future are compiled after every NCS season.

3.3. As NCS expands, the NCS Trust will continue to enhance its policies and procedures around safeguarding. The Trust recently established a strengthened safeguarding helpline for staff and the public, which went live on 18 April 2017, in line with its training programme. Additionally, NCS Trust is increasing its safeguarding capability through a central Quality Assurance Team with additional expert team members, which will further ensure quality in the selection and training of staff and in implementation of policies and procedures.

4: Committee of Public Accounts conclusions:
The Trust and Department cannot justify the seemingly high cost per participant of NCS.

Recommendation 4a:
The NCS Trust and Department need to develop a robust and complete NCS cost model in advance of the next commissioning round in 2018.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The Department already has a good understanding of the NCS cost model. The autumn 2016 spending review package was calculated based on an appreciation of the average cost per NCS place. This cost per place takes into account both the cost to providers of delivering NCS places and the operating / expansion costs of the NCS Trust. The unit costs paid to providers were set for 3 years when the Treasury and the Cabinet Office approved the provider contracts in 2014-15. The Department then scrutinises and challenges NCS Trust budgets and cost assumptions on an annual basis once their funding agreement is put into place.

4.3. However, the Department recognises that there is further work to be done to put the Department and the Trust into a stronger position to understand and reduce costs. A key element of this work are the innovation programme pilots (previously referenced in Recommendation 2) that will generate lessons that will shape the programmes that are commissioned and at what cost when the network is recommissioned in 2018.

4.4 In addition, NCS Trust has already developed a detailed set of cost specifications ahead of the phased re-commissioning process of the network starting in 2018. It aims to reduce delivered unit cost by at least 12%, as the current contracted unit costs were set during the last procurement process in 2013 and represent the market rate for delivery at that point in time. Through managing contracts over the last two years, NCS Trust and its delivery partners have conducted detailed actual cost analysis to refine the cost of delivery.

Recommendation 4b:
The NCS Trust and Department need to publish benchmarking of its costs in advance of the next commissioning round in 2018.

4.5 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2019.

4.6 The NCS Trust will continue to seek and test through pilots comparable delivery models, seeking to improve the overall cost per outcome (impact). In the future, the NCS target unit costs will be transparent and best practice lessons incorporated to improve overall value for money, and will be shared across the network. The NCS Trust and Department will share benchmarking of its target unit costs with the Committee when this data is no longer commercially sensitive in Autumn 2019.

4.7 Given the unique nature of NCS, direct comparison with other youth programmes is not straightforward. Examples include, but are not limited to: differing levels of existing programme awareness; relative lengths of programmes; intensity; residential; whether staff are voluntary or paid; and whether or not programmes are residential. Benchmarking will only be possible for those elements of the programme that are comparable to other organisations.

4.8 The Department and the Trust are agreeing how best to carry out this industry comparative benchmarking for elements of NCS delivery, and will publish this report in January 2018.

4.9 The Trust tracks operational performance and value for money through a robust set of KPIs which are agreed annually with DCMS and set out in the Trust's Grant Agreement. The Trust reports performance against these KPIs to DCMS throughout the year, according to an agreed reporting schedule.

5: Committee of Public Accounts conclusion:
The Trust paid partners around £10 million in 2016 for places that were not filled.

Recommendation 5a:
In its response to this report the Trust should update the Committee on progress with recovering monies paid to partners, in respect of 2016 and previous years.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 The Trust pays 50% of the unit cost of commissioned NCS places to its partners in advance, which allows its partner network to build the infrastructure needed to safely deliver NCS. Such infrastructure includes, for example, the costs of recruiting participants, putting on school events, reaching hard-to-reach groups, hiring and training staff to deliver the programme, booking accommodation, transportation, and activity and learning partners. This approach allows the up-front risk to be shared between the Trust and its delivery partners. This risk sharing approach has allowed the Trust to build an expert and diverse network of over 200 local charities – organisations that do not in the main have access to deep reserves.

5.3 With the support of an independent auditor, the Trust has received cost reconciliation data for all providers that delivered summer 2016. For providers that did not reach the contractual delivery requirements in summer 2016, their costs are being analysed to determine whether providers made a surplus in that season. For some providers, it is clear that their costs were higher than the funds provided by NCS due to their under-delivery. For some providers, there is a surplus for the season and the Trust is in the process of negotiating with these providers to recover unspent funds in regions where delivery was below the contractual performance thresholds.

5.4 In summer 2016, 11 out of the 19 regions were below the contractual participation target thresholds. Of these 11 regions, only 2 appear to have had a residual surplus above what it cost them to deliver the summer season. The remaining 9 regions invested more to deliver the season than the amount the NCS Trust paid them. As a result of this audit and the subsequent negotiations, £218,413 has been recovered by the Trust from the relevant providers.

5.5 NCS Trust will complete the analysis and negotiations with affected partners. Upon completion of the full summer 2016 audit a decision will be made on a value for money basis (based on NAO guidance) as to whether to incur additional cost to audit the summer 2015 season.

Recommendation 5b:
With new partner contracts due next year it must take the opportunity to minimise the risk of paying for unfilled places in future.

5.6 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.7 The Department has revised the NCS Spending Review package and reset the maximum participation thresholds for each year. Within these thresholds, yearly targets are agreed with the NCS Trust based on likely projections of demand. These targets are designed to be challenging yet realistic and do not incentivise over-commissioning to meet unachievable objectives. This approach looks to achieve a better balance between supply and demand and reduces the risk of paying providers to prepare for places that will then not be filled.

5.8. NCS Trust has already implemented a new commissioning model for all future years, including 2017, which reduces the risk to the taxpayer. The new model uses detailed bottom-up forecast models to set a realistic baseline number of places for a given year. It includes a mid-season checkpoint where a decision is made about whether to commission additional places in the event of over-performance. By more carefully calibrating supply with demand, NCS Trust will reduce its delivered unit cost.

6: Committee of Public Accounts conclusion:
The NCS Trust has not met the standards of transparency to be expected from organisations funded almost entirely by the taxpayer.

Recommendation:
Rather than waiting until it receives a Royal Charter, the NCS Trust should comply with public sector expectations and standards of financial reporting for the current year.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

6.2. NCS Trust management and Board have agreed that they will voluntarily publish additional disclosures ahead of transitioning to a Royal Charter Body.

6.3. The NCS Trust as an independent Community Interest Company (CIC) already goes further in disclosing information than is legally required from a CIC. It is committed to publishing substantially more information. This information will be published in the audited annual accounts for the current financial year 2016-17 by October 2017 and will continue to be developed in future years. Additional disclosures will include information about the remuneration payments for all Directors who were in their roles at 31 March 2017. The Trust already publishes the salaries of its directors in aggregate, as well as the salary of its highest paid director.

7: Committee of Public Accounts conclusion:
The Cabinet Office set up the Trust without appropriate governance arrangements.

Recommendation:
The Committee expects the Cabinet Office to provide, within six months, a list of all companies substantially funded or controlled by the Government that are not currently required to apply the principles of Managing Public Money, and its plans to regularise their accountability.

7.1 The Government disagrees with the Committee's recommendation.

7.2. The Government provides funding to a wide range of companies, to those in both the public and private sectors and to civil society organisations. Within the public sector, where the independent Office of National Statistics (ONS) classifies public bodies to the central Government sector, the Government ensures that the basic principles of governance, accountability and transparency should apply, as set out in *Managing Public Money*.

7.3 For companies in receipt of Government grant funding which are not classified (or treated) as central government bodies, accountability for the allocation of grant money, and assurance as to its use, lies with the Principal Accounting Officer of the grant-awarding Department. In December 2016, the Cabinet Office issued guidance to Departments on the minimum standards that should be applied to all Government grant schemes, to ensure that value for money is being achieved.

7.4 In response to the Committee's 2016 report on 'Accountability to Parliament for taxpayers' money', the Treasury has issued guidance to Departments requiring them to produce an Accounting Officer System Statements (AOSS) alongside their Annual Reports and Accounts for 2016-17. The guidance expects Departments to ensure accountability for all of the public money and other public resources which fall within a single accounting officer's responsibilities.

7.5 Departments will also be expected to include in their all of the Government owned companies for which the Accounting Officer is responsible. Some of these might be dormant, or operate as a 'shell company' for other activities. However, the guidance also recognises that, in some cases, companies may be owned for policy reasons that are sensitive or might need to be kept confidential.

7.6 The AOSS for each Department will provide an effective means of identifying those parts of system for which an accounting officer is responsible, and the accountability arrangements that apply to each part. However, it will not be possible to list companies of the kind described by the Committee which do not form part of this system, or whose relationship with the Government is solely as a recipient of funding under a grant scheme.

7.7 The Government has no plans to produce a consolidated list of all companies included in these system statements. However, each Department's AOSS will be published and made available to Parliament. In addition, the Cabinet Office will be publishing scheme level data on grants for the 2015/16 and 2016/17 financial years by the Autumn. This data will be drawn from the Government Grants Information System, a database for all Government grant spending. This replaces the previous manually collected data covering grant spending released on GOV.UK as the Government Grants Register.

8: Committee of Public Accounts conclusion:
It is unclear whether the Trust has the skills and expertise necessary to oversee a project of this scale.

Recommendation:
Alongside its response to this report, the Trust should provide us with a timetable and action plan for how it will put in place the governance, leadership and expertise necessary to deliver the expansion.

8.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

8.2. The Department and Trust agree that the governance of the NCS Trust can be further improved. Improving governance was one of the three aims of the National Citizen Service Bill, alongside giving NCS permanence and retaining its independent and innovative ethos. The resulting Act is designed to enhance the transparency and accountability of the NCS Trust to Parliament and strengthen the governance of NCS by incorporating the NCS Trust as a Royal Charter Body. The Department and NCS Trust continue to work together to establish the governance and accountability structures that will be needed as the Trust transitions to Royal Charter. This will include the recruitment of a new Board of the Royal Charter body. The Department will continue to report on the progress in this area in the coming months.

8.3 The Department and Trust also recognise that the organisation has grown quickly, and that now is a key time in the Trust's organisational cycle to establish the right organisational capability to deliver the continued expansion of NCS. A key part of this organisation development is ensuring that there is a strong People function within the Trust to develop the existing talent within the organisation and bring in new capability. A Chief People Officer was hired in 2016 and the People team has already been built out with a Head of People and Learning Development and a Head of People Recruitment.

8.4 The Trust is similarly expanding the wider leadership of the organisation, and bringing new expertise in from a range of sectors and organisations to strengthen its core functions, including the finance and programme management functions.

8.5. A full action plan on governance and capability improvements has been prepared by the NCS Trust and a copy will be sent to the Committee in October 2017.

Forty Seventh Report of Session 2016-17

Ministry of Defence

Delivering the Defence Estate

Introduction from the Committee

The Ministry of Defence holds one of the largest estates in the country, accounting for approximately 1.8% of the UK land mass and valued at £31 billion. The defence estate is crucial to the county's defence capability. It includes land and also buildings such as offices, houses, storage units and training facilities (the 'built estate'). It also includes 50,000 Service Family Accommodation units. In 2015–16 the Department spent £4.8 billion (12%) of its budget on its estate, mainly on maintaining, building and upgrading the built part of it.

The Government has set targets for the Department to reduce its built estate by 30% by 2040 and make £1 billion between 2016–17 and 2020–21 by disposing of estate it no longer needs. The Department is also the largest contributor to the government's objective of releasing land to build 160,000 new homes between 2015 and 2020, and has a target of releasing enough land to build 55,000 homes. In 2011 the Department established the Defence Infrastructure Organisation (DIO) to manage the estate centrally.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence, on 16 January 2017, from the Ministry of Defence, the Defence Infrastructure Organisation, and Annington Homes. The Committee published its report on 22 March 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *Service Family Accommodation* – Session 2016-17 (HC 77)
- NAO report: *Service Family Accommodation Update* – January 2017
- NAO report: *Delivering the Defence Estate* – Session 2016-17 (HC 782)
- PAC report: Delivering the defence estate – Session 2016-17 (HC 888)

1: Committee of Public Accounts conclusion:
Service families have seen some recent improvements in the quality of maintenance but are still unclear as to what service levels they can expect and continue to face uncertainty around the future provision of accommodation and its costs.

Recommendation:
The Department should improve its communication with service families to give them greater clarity and transparency around CarillionAmey's obligations with regard to Service Family Accommodation. It should also make available all research underpinning any decision to alter Service Family Accommodation arrangements to ensure a proper understanding of the potential implications of change and the basis on which changes are being made.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2017.

1.2 The Department will undertake further work to improve communication and understanding about obligations and arrangements for Service Family Accommodation. This includes issuing a short video (*We all have a part to play*) to clarify the respective responsibilities of key stakeholders in Service Family Accommodation. Following this, the Department will issue fresh advice to Service Family Accommodation occupants highlighting CarillionAmey's obligations by 30 June 2017.

1.3 The Department will continue to engage directly with Service Family Accommodation occupants and their representatives, through a new series of Customer Engagement Forums, being held monthly at different locations around the UK between May 2017 and December 2017.

1.4 Consultation on a Future Accommodation Model is underway. The Department will continue to engage with the Services, Service Personnel and their families, Families Federations and other organisations throughout the development of the model. Further face-to-face engagement is being planned during 2017, through the Armed Forces People Programme, to ensure that Service Personnel understand how the Future Accommodation Model works and what it could mean for them and their families. This will also allow the Department to share how the policy is being developed and seek feedback.

1.5 Information will be released to the public as and when possible. In March 2017, the Department published the results of the recent Future Accommodation Model survey available on GOV.UK.[5] Other research informing policy development includes the Armed Forces Continuous Attitudes Survey and the Families Continuous Attitudes Survey which are also available on GOV.UK.

2: Committee of Public Accounts conclusion:
The Department's new estate strategy is a significant step forward, but there is much to be done to overcome decades of under-investment.

Recommendation:
By the end of 2017 the Department should put in place effective delivery structures to enable it to maintain momentum towards its strategic objectives over the coming decades, as well as governance arrangements which will allow it to track and report progress, challenge any inertia within the Commands, and learn and feed lessons back as the programme progresses.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

2.2 The Department has established a Defence Estate Optimisation Programme, led by the Deputy Chief of Defence Staff (Military Capability) and supported by a Defence Estate Optimisation Programme Board, which will significantly contribute towards the Department's overall target of a 30% reduction in built estate announced by the Strategic Defence and Security Review in 2015. The programme will be delivered through 15 sub-programmes, based on capability needs, each led by Senior Responsible Owners in the Commands. Delivery requirements for the sub-programmes have been set out in the programme mandates and reinforced through Defence Plan objectives.

2.3 To track and monitor progress, the Programme Board will report to the Defence Major Projects Portfolio on a quarterly basis, and it is expected that the Optimisation Programme will be included on the Government Major Projects Portfolio during FY2017-18. The Defence Board will review progress on a six monthly basis and the Department's Investment Approvals Committee annually.

3: Committee of Public Accounts conclusion:
The Department's decisions about the estate are still subject to considerable uncertainty.

Recommendation:
In its annual report on progress against its estates strategy, the Department should set out clearly the decisions that have been taken in the previous year in relation to the restructuring of the estate, and the rationale behind those decisions.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

3.2 The Department will update Parliament on a regular basis on progress in delivering defence estate optimisation and Secretary of State will submit a report to Parliament in autumn 2017, and annually thereafter.

[5] https://www.gov.uk/government/statistics/mod-future-accommodation-model-survey-2016

4: Committee of Public Accounts conclusions:
The Front Line Commands are to be given back responsibility for estate budgets even though they failed to manage these budgets effectively in the past.

Recommendation:
Before it delegates the estate to the Front Line Commands in April 2018, the Department must develop appropriate criteria to judge the readiness of the Commands to take on responsibility for managing their estate budgets. It must then use the criteria actively to monitor Commands' ability to take good decisions in relation to the estate.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2018.

4.2 The Department will undertake a maturity assessment (in autumn 2017) to test the readiness of the Commands to take on responsibility for managing their estate budgets. This assessment will inform the final decision on whether to proceed with delegation in April 2018, with the criteria also being used to assess the maturity of development of the infrastructure system operating model on a continuing basis.

4.3 Following delegation, the Department's annual Command Planning and budgeting cycle will set the Commands' and other Top Level Budget Holders' infrastructure objectives and priorities. This process will act to drive infrastructure planning that is coherent, in line with the Defence Plan and the Strategy for Defence Infrastructure and aligned with resource allocation decisions.

4.4 It is envisaged that subsequent monitoring of the Commands' and other Top Level Budget Holders' estate decisions will take place through the Department's existing Risk and Performance Review between the Permanent Secretary and the Chief of Defence Staff and the individual Top Level Budget Holders. The Defence Infrastructure Organisation will be responsible for giving infrastructure advice to Front Line Commands and other Top Level Budget Holders to support their decision making. The Defence Infrastructure Organisation will also advise the Permanent Secretary on effectiveness of management of the whole estate.

5: Committee of Public Accounts conclusions:
The Department's model for managing the estate is still not fit for purpose which jeopardises the success of its plans for the rationalisation of the estate.

Recommendation:
The Department should write to the Committee by the end of May 2017 setting out the results of its review of the infrastructure model. This should contain information about how it intends to address recruitment and retention issues in DIO, including the impact of pay restraint, and secure the skills it needs.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

5.2 The Department is progressing the Defence Infrastructure Model Review, in particular work to determine the way forward with the Strategic Business Partner. Work continues to develop the practical detail of how the various parts of the Department undertake their roles in a delegated model, with a focus on ensuring that the elements required to safely delegate from April 2018 are in place. Recommendations were made to the Defence Board in April 2017. The Department will write to the Committee setting out its proposed course of action, subject to any further approvals required, in autumn 2017.

6: Committee of Public Accounts conclusions:
The Department's contract with the Capita-led strategic business partner failedto transform the performance of DIO.

Recommendation:
In the ongoing review of the Strategic Business Partner's role, the Department must avoid repeating the mistakes of the 2014 contract negotiations. In particular, it must ensure that it

incentivises the sustainability of savings and avoids enabling private sector providers to earn excessive profits.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

6.2 The Department is currently reviewing the role of the Strategic Business Partner in managing the Defence Infrastructure Organisation which includes incentive mechanisms. The Department and the Strategic Business Partner have been in discussions since January about how the SBP contract could be adjusted to support the changes being made to the operating model for infrastructure, including delegation of funding to the customers and the further transformation of DIO. Recommendations were made to the Defence Board in April 2017, and a set of proposals are currently being considered as part of the MOD's approvals process. The Department will write to the Committee updating on the agreed course of action in autumn 2017.

Forty Eighth Report of Session 2016-17

Cabinet Office / Crown Commercial Service

Crown Commercial Service

Introduction from the Committee

The Crown Commercial Service (CCS) was set up on 1 April 2014 to replace the Government Procurement Service. It aimed to centralise £13.4 billion of central Government spend on common goods and services and carry out direct buying services on behalf of all Departments. In doing so, it would improve the Government's management of commercial contracts. It would also provide framework agreements to enable both central Government Departments and the wider public sector to purchase common goods and services. The direct buying service and the purchases through framework agreements would total £22 billion. CCS is also responsible for central Government's procurement policy and building commercial skills across Government. It provides advice and support on complex transactions and negotiates with Government's strategic suppliers.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence, on 18 January, from the Cabinet Office and the Crown Commercial Service on progress with buying common goods and services centrally. The Committee published its report on 24 March 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *Crown Commercial Service* – Session 2016-17 (HC 786)
- PAC report: *Crown Commercial Service* – Session 2016-17 (HC 889)

1: Committee of Public Accounts conclusion:
The creation of the Crown Commercial Service was poorly executed and failed to learn the lessons from previous aborted attempts to centralise services

Recommendation:
The Cabinet Office should identify the factors that have caused its previous programmes to centralise services to fail and use this information in designing future programmes to centralise services. It should ensure that all such programmes have robust risk management and systems in place to track progress and take action when projects are at risk of failure.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 Lessons have been learned from both the Shared Services programme and the formation of the Crown Commercial Service on the design of programmes to centralise services. The Shared Services Programme undertook a thorough review and has taken the lessons forward into its governance and executive decision making. The Crown Commercial Service, with the support of the Cabinet Office, also undertook a thorough review during 2016 and identified that the scope, the operating model and the leadership could all have been better addressed at the outset. These three points are now all being resolved with a new operating model in the final stages of implementation, based on an appropriate standard service which has been established by working with all departments. The Crown Commercial Service is also refreshing and implementing the category strategies, framework agreements and deals which will deliver increased value for money for taxpayers.

1.3 The Cabinet Office has already enhanced its governance processes so that there is strong oversight and routine scrutiny of its projects and programmes. Progress and management of risks on major cross departmental initiatives (such as Shared Services and centralised procurement) are also subject to scrutiny within Cabinet Office at quarterly performance reviews led by the Chief Executive of the Civil Service for each function.

1.4 The CCS change programme in particular is also challenged and reviewed at cross Government boards, such as CCS's Commercial directors meeting, the Commercial Function Leadership Group and

the Finance Leaders Group. There is also an independent review by the Government Internal Audit Agency.

2: Committee of Public Accounts conclusion:
Progress in centralising the procurement of common goods and services has been unsatisfactory.

Recommendation:
All Departments must understand the importance of achieving savings from centrally purchasing common goods and services, and transfer appropriate spending to CCS as soon as practicable. The Cabinet Office and CCS should report back to the Committee by October 2017 setting out the plans it has agreed with each Department to centralise their spending on common goods and services fully by 2020.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2018.

2.2 CCS is working in close collaboration with Government Departments as it implements its new operating model based on a standard service offer. As the operating model is embedded, and when CCS has the category strategies, the 'best-in-class' frameworks and the call-off capability to deliver the service in full, then CCS will establish a plan with each Department.

2.3 The plans will be agreed with Departments individually on the opportunities to increase the volume of spend through central common goods and services frameworks and for CCS to use its buying expertise and leverage to establish call-off contracts which Departments then operate and manage.

2.4 Learning from past mistakes, CCS will remain responsive to Departments' circumstances, and not rush this process or establish rigid plans too soon. The way CCS and Departments approach the treatment of spend on common goods and services currently varies by framework, by category and by Department. CCS and Departments first need to ascertain where the opportunities lie and how greater value can be delivered from a central and more common approach.

2.5 As an early step, CCS will work with Departments to ensure there is oversight of all frameworks used by central Government for common goods and services procurement (for example, by establishing a central record or library) with the aim, in due course, of eliminating duplication wherever possible and driving increased value by consolidating spend through central 'best-in-class' frameworks.

2.6 CCS will report back to the Committee on progress and the plans it has agreed with Departments by April 2018.

3: Committee of Public Accounts conclusion:
CCS's performance has been poor.

Recommendation:
CCS should ensure it has the management information required to measure and track its own performance against objective and stretching performance measures so that it can identify and take appropriate action to address any performance failings. It should also publish key performance indicators that allow customers to track improvements in its performance.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: October 2017.

3.2 As part of its operational review, CCS examined the management information it produces and its processes for reporting and tracking performance. CCS has begun to put in place new processes and establish joined up IT systems to ensure it has more robust data that will allow performance to be tracked. CCS's annual report and accounts will contain a summary of performance and progress against targets in 2016/17. CCS will also publish its annual business plan for 2017/18 which identifies clear objectives for the year and stretching performance targets as well as the metrics by which they will be measured.

3.3 CCS recognises the need for improvements in customer service delivery and the need for greater focus on customer satisfaction and engagement. It has recently strengthened its governance arrangements in this area through the establishment of a Customer Committee of the CCS Board. CCS routinely keeps its central Government customers informed, both individually and collectively through its commercial directors group, on its progress in implementing the operational review and on its operational performance. CCS will continue to keep under review and where necessary enhance the information it provides to customers to ensure they have a clear understanding of CCS performance.

4: Committee of Public Accounts conclusion:
CCS's management of procurement frameworks remains unsatisfactory.

Recommendation:
CCS should ensure that it has plans in force to replace each framework contract before it expires so that there will be no further need to use expired frameworks.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2017.

4.2 CCS has now established a single more complete and accurate database covering all its frameworks and is in the process of refreshing its category strategies and updating its plans for replacing existing frameworks so that all CCS frameworks are "best-in-class" and enable its customers to access the right suppliers and the most competitive prices. In future, this will mean new frameworks are established prior to the expiry of the ones they replace.

4.3 Whilst CCS undertakes this process, there may be occasions where this is not the case. It may be pragmatic for example to allow an interval between the expiry of an existing framework and its replacement with a new framework - for example: where a new framework replaces multiple frameworks which expire at different times and customer engagement indicates that a gap in provision will not affect CCS's ability to meet customers' needs.

4.4 There may also be rare occasions where expired frameworks are used, though CCS will work with Departments to minimise these. For example, where there is a requirement to take longer to establish the right category strategy, it may be expedient for CCS to allow the extension of parts of an existing framework beyond the final expiry date. CCS will only do this having thoroughly assessed the costs and benefits of an extension, having taken legal advice, and having consulted with the market and with our customers – ensuring the scope of the extension is kept to a minimum to meet specific needs.

5: Committee of Public Accounts conclusion:
CCS's current governance structure is confusing, blurs accountability and reduces clarity of the purpose of CCS.

Recommendation:
The Cabinet Office should review CCS's governance, ensuring that accountability arrangements are clear and provide a direct line of sight between activities, financial reporting and accountability, by the end of 2017.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2017.

5.2 The team responsible for developing procurement policy currently reports to the Chief Executive of CCS while the other commercial central teams report to the Government Chief Commercial Officer. CCS presently funds all these teams. The present structure works operationally but is not perfect from a governance perspective. Cabinet Office will work jointly with CCS to review and determine how best to ensure there is robust governance and clear lines of accountability for all central teams.

Forty Ninth Report of Session 2016-17

Department for Education

Financial sustainability of schools

Introduction from the Committee

The Department for Education is accountable for securing value for money from spending on education services in England. At January 2016, there were 20,179 state-funded primary and secondary schools across England, educating 6.4 million pupils aged between 5 and 15. The Department delegates responsibility for oversight to the Education Funding Agency, which oversees financial management and governance in academies directly and in maintained schools through local authorities.

The Department's overall schools budget is protected from inflation. In the 2015 Spending Review, the Government increased the core schools budget by 7.7% in cash terms, from £39.6 billion in 2015–16 to £42.6 billion in 2019–20. However, pupil numbers are expected to increase over the same period by 6.3%, from 7,262,000 in 2015–16 to 7,720,000 in 2019–20. This means that the amount that schools receive per pupil will, on average, rise only by 1.3%, from £5,447 in 2015–16 to £5,519 in 2019–20, a real-terms reduction once inflation is taken into account. The Department estimates that mainstream schools face cost pressures rising from £1.1 billion (equivalent to 3.1% of the total budget) in 2016–17 to £3.0 billion (8.0%) in 2019–20. Schools will have to counteract these cost pressures by making economies or efficiency savings. The Department aims to support schools to ensure that, by 2020, schools have the skills, capabilities and tools to manage pressures on their budgets while maintaining or improving educational outcomes.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence on 23 January 2017 from the Department and the Education Funding Agency on the financial sustainability of schools. It also took evidence from three head teachers and the general secretary of the National Association of Head Teachers. On 1 April 2017, the Education and Skills Funding Agency was formed merging the Education Funding Agency and Skills Funding Agency. The Committee published its report on 29 March 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *Financial sustainability of schools* – Session 2016-17 (HC 850)
- PAC report: *Financial sustainability of schools* – Session 2016-17 (HC 890)

1: Committee of Public Accounts conclusion

The Department for Education does not have the necessary arrangements in place to identify, and therefore act, if the actions schools take to make efficiency savings threaten the quality of education and educational outcomes.

Recommendation:

The Department should develop and publish by the end of June 2017 a set of indicators, which it will monitor to gain assurance that the quality of education and the outcomes schools achieve are not being adversely affected by the need to make savings. These indicators might include the breadth of curriculum, class sizes and pupil-teacher ratios.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 The context under which these recommendations were made has now clearly changed in light of the Department's announcement of 17 July 2017 increasing core funding for schools[6]. As we implement the national funding formula, there will now be an additional £1.3 billion for schools and high needs across 2018-19 and 2019-20, on top of existing spending plans. This means that core funding for schools will rise from almost £41 billion in 2017-18 to £42.4 billion in 2018-19. In 2019-20, this will rise again to

[6] https://www.gov.uk/government/speeches/justine-greening-statement-to-parliament-on-school-funding

£43.5 billion. This represents an increase of £2.6 billion, and means funding per pupil will now be maintained in real terms for the remaining two years of this Spending Review. This clearly changes the context for schools – with the future challenge for the system as a whole being more about maximising the impact of resources in order to improve pupil outcomes, rather than managing cost pressures.

1.3 The Department fully understands the importance of regularly monitoring educational outcomes, and routinely publishes data showing national performance against headline accountability measures. School-level performance against these measures is also published on the performance tables website for KS2 and KS4. The performance tables include breakdowns of the headline measures by pupil characteristics, such as disadvantage, so that parents are able to view a school's results in the context of its cohort. Ofsted also publishes an annual report, including regional information packs that includes high-level performance data.

1.4 The Department also understands the importance of regularly monitoring financial information to assess the financial position of the sector. The Department welcomed the NAO's assessment that *it has a clear monitoring and evaluation plan for the Schools Financial Health and Efficiency programme.* The Department monitors information including: spend data (such as the proportion of expenditure on non-staff costs); cumulative deficits and surpluses; in-year deficits and surpluses; and academy specific information such as budget forecasts.

1.5 The Department also publishes data on teacher numbers, pupil teacher ratios and class sizes. However, the Department is clear that these are contextual measures, rather than direct indicators of schools' financial sustainability or educational outcomes. Schools should decide the staffing and curriculum structure that best suits their needs, and it is not the case that increasing class sizes or focussing more on core academic subjects necessarily leads to a negative effect on pupil outcomes.

1.6 More widely, the Department recognises that the relationship between funding and outcomes is complex. The Department recently published research on the impact funding levels may have on educational outcomes. The study was published on 3 August 2017.[7] Further detail on this study have been sent to the Committee.

2: Committee of Public Accounts conclusion
The Department does not seem to understand the pressures that schools are already under.

Recommendation:
The Department should build on the arrangements it is putting in place from July 2017 to speak to head teachers about the efficiency challenges they face, how useful they find the Department's guidance and support, and what more the Department could do to help schools make savings.

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

2.2 The Department agrees with the importance of engaging closely with head teachers to understand the challenges they face, including around efficiency and financial management. The Department has a range of groups through which this occurs. These include the head teacher reference groups and Multi-Academy Trust roundtables, the latter convened by the National Schools Commissioner. The Department also seeks regular input from representative bodies, including the national head teacher associations. This includes: monthly meetings with the all the teacher and head teacher unions; bi-monthly meetings with the Education Forum school workforce stakeholder group; and a bespoke monthly group on efficiency.

2.3 The Department will also be returning to conduct in-depth interviews with head teachers as part of the qualitative research strand of the School Efficiency and Financial Health programme and will gather ongoing user feedback on efficiency tools, such as the new schools financial benchmarking website.

[7] https://www.gov.uk/government/publications/school-funding-and-pupil-outcomes-review

3: Committee of Public Accounts conclusion
The apprenticeship levy will be an additional cost for schools but they will only be able to benefit in a limited way from the funds.

Recommendation:
The Government should set out by the end of June 2017 the financial impact of the Apprenticeship levy on schools.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2018.

3.2 The Government has included the financial impact of the Apprenticeship Levy as part of its publication of an updated assessment of the cost pressures schools face.

3.3 The Department recognises that the apprenticeship levy is potentially an additional cost to schools, but this is only in the event that schools fail to take advantage of the opportunity afforded by apprenticeship service accounts to pay for the training and assessment costs of apprentices. The Department encourages and expects levy-paying schools to draw down funds from their accounts, and the Department similarly expects local authorities to allow their schools to do this. The Government provides a 10 per cent top-up to apprenticeship service accounts, so that it is possible to receive more funding than is paid by way of the levy.

3.4 The Government will support schools to take maximum advantage of the apprenticeship levy. This includes working with the relevant employer groups to introduce postgraduate teaching apprenticeships, which we expect will be available from September 2018; and apprenticeships for school business directors, school business professionals, and teaching assistants, all of which we expect to be in place by early 2018.

4: Committee of Public Accounts conclusion
In calculating the £3 billion of required efficiency savings, the Department has not assessed the impact of all the cost pressures that the Government is placing on schools.

Recommendation 4a:
The Department should publish by the end of April 2017 the results of its work to assess the impact of withdrawing the Education Services Grant

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2018.

4.2 The Department has included the impact of withdrawing the Education Services Grant (ESG) as part of its publication of an updated assessment of the cost pressures schools.

4.3 New, more targeted funding of £50 million has been announced for local authorities to monitor maintained school performance, broker improvement support, and intervene where appropriate, together with a further £140 million for a new Strategic School Improvement Fund targeted at the academies and maintained schools most in need of support. The first successful applications under the SSIF have now been announced.

Recommendation 4b:
The Department should routinely assess and make public the cost implications of policy changes including curriculum and assessment changes.

4.4 The Government agrees with the Committee's recommendation.

Target implementation date: September 2018.

4.5 The Department recognises the importance of assessing the impact of policy changes on schools, both in terms of any additional cash costs and the opportunity costs resulting from how staff time is used. In response to the 2014 Workload Challenge, the Department set out a number of commitments to introduce minimum lead-in times for significant changes to accountability, the curriculum and qualifications, and to do more to consider the impact on schools when introducing such changes.

4.6 Originally published in March 2015, the Department for Education Protocol was reissued in February 2017 and sets out a number of criteria, including providing a lead-in time of at least a year for any changes to accountability, the curriculum and qualifications. The development and reissuing of the Protocol underlines the Department's commitment to making sure schools have enough time to prepare for change. With that said, the Department recognises more needs to be done to assess the cost implications of its policy changes on schools, and will seek to better assess the cash and opportunity costs of new policies and initiatives in relation to their impact on schools.

5: Committee of Public Accounts conclusion

The Education Funding Agency's approach to oversight and intervention means it has not intervened in all cases where schools are at financial risk.

Recommendation:

The Education Funding Agency should set out by the end of June 2017 how it will refine its approach to intervening with local authorities and academies, including how and when it will evaluate the effectiveness of its interventions.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2. The Education and Skills Funding Agency fully understands the importance of intervening in academies, and working with local authorities in respect of their maintained schools, in order to improve efficiency and support the financial health of the sector. The Department is clear that this approach must focus on prevention, to foster good practice in schools which means they avoid financial difficulties in the first place, rather than supporting them once they are already in this position. Further details on this have been sent to the Committee.

6: Committee of Public Accounts conclusion

Schools are now facing similar pressures to other sectors but the Department does not seem to be learning from this experience, in particular from how overambitious efficiency targets in the NHS proved counter-productive Department.

Recommendation:

The Department should write to the Committee by the end of June 2017 outlining how its approach to schools' financial sustainability reflects lessons from the experience of other sectors, in particular the Department of Health and the NHS.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 The Department agrees it is important, notwithstanding differences between sectors, for learning and good practice to be shared across public services. The Department is working particularly closely with the NHS to develop and improve approaches to financial data and benchmarking in both sectors. Further details on this have been sent to the Committee.

Fiftieth Report of Session 2016-17

Department for International Trade

UKTI and the contract with PA consulting

Introduction from the Committee

UK Trade & Investment (UKTI) is the UK's international trade and inward investment promotion organisation. Since July 2016 it has formed part of the Department for International Trade. It provides a network of advisers and experts to support UK exporters of goods and to help overseas-owned firms locate and build business in the UK. In May 2014 UKTI entered into a three-year contract with PA Consulting Services Limited (PA) for the provision of trade and investment specialists, and paid £18.8 million for the first 11 months of services. After the contract had started, UKTI became concerned about the way PA had priced the contract and about PA's transparency in its communications with UKTI. The contractual relationship eventually broke down and UKTI terminated the contract in January 2016. In May 2016, UKTI and PA reached a commercial settlement under which it was agreed that UKTI would pay the balance of PA's outstanding invoices less a £3.0 million reduction.

On the basis of a report by the National Audit Office, the Committee took evidence, on 28 November 2016, from Department for International Trade and PA Consulting. The Committee published its report on 5 April 2017. This is the Government response to the Committee's report.

Background resources

- NAO Report: Investigation into the UKTI specialist services contract with PA Consulting Session 2016-17 (HC 20)
- PAC Report: UKTI and the contract with PA Consulting – Session 2016-17 (HC 772)

Committee of Public Accounts conclusions:

1: UKTI did not have the right governance, skills or experience to procure the contract.
2: UKTI's handling of the procurement significantly breached good practice, was unfair to other bidders and left UKTI open to being exploited.
3: PA obfuscated about its costs and profits and allowed UKTI to believe that PA had not increased its profit when it had.
4: On termination of the contract, UKTI's previous carelessness left it unable to recoup from PA the full amount that it considered it was owed.
5: The Committee is not convinced that PA accepts the seriousness of its misrepresentations to UKTI or its failure to honour its duty of care to UKTI and the taxpayer.
6: These failures indicate inadequate quality assurance, internal control and commercial and relationship management within PA.

Recommendation:
Although, in Government terms, this was a relatively small contract, there are some serious lessons that need to be learned by all Government bodies undertaking procurements. Suppliers hoping to contract with the Government should also take note. With this in mind, the Committee makes the following recommendations:

Recommendation 1:
PA Consulting Services Limited (PA) should provide the Government with formal assurance that its failure to give a full and accurate account of its costs and profits will not happen again because of control problems or for any other reason. That assurance should be applicable to all contracts it holds with the Government. In providing that assurance PA should satisfy itself that it has a sufficiently good system of internal control that will not allow individual members of staff to act contrary to company policy. Obtaining the required level of assurance may require PA to commission an independent review of its practice management and internal controls.

1.1 The Government disagrees with the Committee's recommendation.

1.2 The legal terms of the settlement agreed with PA Consulting are final and do not provide for

further formal assurance to be obtained by Government. Such formal assurance should instead be an explicit term of any contract renewals or awards made to PA Consultancy going forward.

Recommendations 2 and 6:

2: ***The Department for International Trade needs to satisfy itself that all its contracts will in the future be run with people with the required level of experience. It must put processes in place to ensure that all senior responsible owners (SROs) are properly qualified and given appropriate support.***

6: ***The Committee will want to review the efforts of the Department for International Trade to improve its commercial capability in the future and satisfy itself that adequate action has been taken. In response to the Committee's report in March 2016 on Transforming Contract Management, the Cabinet Office undertook to develop and agree a Capability Blueprint with each department, which will contain a future operating model for commercial activity and a plan to build that future model. Once the Department has completed its Capability Blueprint, it should write to the Committee to inform on the outcome and its plans for further development.***

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

2.2 The Department is currently working on producing its Commercial Blueprint which sets out its contracts held, future pipeline of procurements, future operating model, key risks and actions and governance structures. This will cover all aspects of its commercial capability to provide the Committee with assurance of the Department's continuing efforts.

2.3 Following the completion of its Blueprint and approval from senior stakeholders in the Department including the Audit and Risk Committee, Government Commercial Function, the Cabinet Office and the Treasury, the Department will provide an update to the Committee through the Treasury Minute Progress Report in January 2018.

Recommendations 3-5:

3: ***The Cabinet Office and the Government Commercial Function should extend their capability programme so that it supports arm's-length bodies, and should ensure that all Government bodies have arrangements to ensure SROs are properly qualified and given appropriate support.***

4: ***The Cabinet Office and the Government Commercial Function should prescribe a minimum level of documentation that all public bodies should maintain for all procurements and contracts.***

5: ***The Cabinet Office and the Government Commercial Function should write to the Government bodies reminding them to procure simple things in simple ways.***

3.1 The Government agrees with the Committee's recommendations.

Target implementation date: Autumn 2017.

3.2 Gareth Rhys-Williams (Government Chief Commercial Officer) will write to commercial directors reminding them of the published guidance available to them. However, even simple contracts and procurements may require different commercial approaches, involving different forms of contract, different procurement procedures and different contract management methods. Therefore, even with the procurement and contract documentation available and a prescribed minimum level of documentation, a simple approach may not always be appropriate or possible.

3.3 The Crown Commercial Service (CCS) has already published advice and guidance to public purchasing authorities to help them streamline their procedures and ensure that procurements are well managed and well documented. This includes *The Public Contracts Regulations 2015*[8]; *Onerous*

[8] http://www.legislation.gov.uk/uksi/2015/102/contents/made

practices in procurement and contracting[9]*; Model services contract*[10]*;* and guidance for public sector buyers on lean or streamlined sourcing to help introduce lean sourcing and manage the process.[11] The CCS website also provides a range of information on procurement options and best practice, and on existing frameworks and contracts for common goods and services that enable customers to buy standard products and services as simply as possible.

Recommendation 7:
The Government should commission the National Audit Office to conduct an independent forensic audit of both UKTI and PA Consulting to get to the bottom of what happened. It is not enough to describe incompetence at a Parliamentary Committee especially when information and explanations have changed before, during and after its public session. The Committee needs to see a rigorous pursuit of the truth.

7.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

7.2 The National Audit Office has commissioned an independent forensic audit of both UKTI and PA Consulting. The NAO will report on these findings once it is complete.

[9] https://www.gov.uk/government/publications/procurement-policy-note-1016-onerous-practices-in-procurement-and-contracting
[10] https://www.gov.uk/government/publications/procurement-policy-note-0414-model-services-contract
[11] https://www.gov.uk/government/publications/lean-sourcing-guidance-for-public-sector-buyers

Fifty First Report of Session 2016-17

HM Revenue and Customs

HMRC's contract with Concentrix

Introduction from the Committee

In 2013, HM Revenue & Customs set a target to reduce error and fraud in personal tax credits to no more than 5.5% by 2014–15. To help meet its target, in May 2014 HMRC signed a three-year contract with Concentrix. The contract aimed to provide additional capacity and analysis to check for possible error and fraud in tax credits. Concentrix contacted tax credits claimants, collected and assessed evidence and made changes to their tax credits entitlement. HMRC retained overall responsibility for the tax credits system, including stopping payment if a claimant did not renew their claim by the annual deadline of 31 July.

HMRC assured the Committee, in July 2016, that it had succeeded in bringing Concentrix's service to an acceptable level but, in August 2016, instances of poor customer service and decision-making were widely reported. In November 2016, HMRC and Concentrix agreed to end the contract as it was not meeting the customer service standards or savings that HMRC had intended. In December 2016, the Work and Pensions Committee reported on the Concentrix contract, highlighting that vulnerable people had lost benefits to which they were entitled as a consequence of avoidable failures.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence, on 25 January 2017, from HMRC and Concentrix. The Committee published its report on 6 April 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *Investigation in to HMRC's contract with Concentrix* – Session 2016-17 (HC 915)
- PAC report: *HMRC's contract with Concentrix* – Session 2016-17 (HC 998)

1: Committee of Public Accounts conclusion:
HM Revenue and Customs, and Concentrix, consistently failed to provide an acceptable standard of service to claimants and suspended and later reinstated payments to 29,500 people.

Recommendation:
HMRC should set out, before the 2017 renewals process, what action it will take to improve both communication about its expectations of claimants and reduce the unnecessary terminating of awards which leads to real hardship for families.

1.1 The Department agrees with the Committee's recommendation.

Recommendation implemented.

1.2 The 2017 High Risk Renewals campaign (HRR17) started in April 2017. The Department set out the actions it has taken to improve the customer experience in a letter from its Chief Executive, Jon Thompson, to the Work and Pensions Select Committee on 27 March 2017. In this letter, the Department outlined improvements in:

- redesigning letters to make them clearer and simpler,
- introducing additional reminders for claimants to respond to the Department and providing a new online channel for them to do so,
- offering additional time, where appropriate, to claimants who show best efforts to respond to the Department's queries promptly,
- restoring payments quickly where the claimant provides the evidence needed, and
- changing how the Department measures its performance – this places greater emphasis on getting the right result for the claimant and to reduce the number of cases that are disputed via mandatory reconsiderations.

1.3 In identifying and making these changes, the Department discussed the proposals with its stakeholders, including the Benefits and Credits Consultation Group. In response to feedback from these stakeholders and customer representative groups, the Department has now made further improvements to these reforms, which have been embedded in guidance and training for staff, to ensure that managers and caseworkers understand what is expected of them. The response to the changes from stakeholders has been broadly positive, acknowledging the improvements made, but making clear that the Department will be judged on whether the process actually looks and feels different from the claimants' perspective.

2: Committee of Public Accounts conclusion:
Claimants may have lost out on other benefit payments as a result of these problems.

Recommendation:
HMRC must ensure that all claimants who wrongly lost their tax credits have their awards fully reinstated, and are fully compensated for any impact on entitlement to other benefits. HMRC must report back to the Committee on the details of actions taken, any outstanding cases, and the costs of these actions by summer 2017.

2.1 The Department agrees with the Committee's recommendation.

Recommendation implemented.

2.2 The Department has reviewed all the cases where decisions made by Concentrix resulted in payments being amended or stopped. This has included dealing with around 42,000 mandatory reconsideration requests. The Department also went further and reviewed around 31,000 additional cases, where no mandatory reconsideration request was made, in line with the recommendation from the Work and Pensions Select Committee. As a result, the Department is confident that payments have been reinstated in all these cases where entitlement has been confirmed.

2.3 HMRC and the Department for Work and Pensions (DWP) have worked together to identify whether other benefits could have been affected by Concentrix's actions (or by any subsequent remedial action by HMRC) and no such cases have been identified. Additionally, HMRC has not been made aware of any cases of this nature by its representative bodies or by individual claimants. Where a claimant has demonstrated actual financial loss as a direct result of Concentrix's actions, HMRC has paid redress.

2.4 The opportunity cost from the Department's staff completing Concentrix's cases was £30 million in foregone AME savings. This included the closure of 181,000 open cases and the processing of mandatory reconsiderations. The subsequent review of 31,000 cases (where no mandatory reconsideration request was made) has resulted in an additional opportunity cost of £8 million in foregone AME savings.

3: Committee of Public Accounts conclusions:
The problems experienced with the 2016 renewals process were entirely predictable.

Recommendations:
In its response to this report, HMRC should set out the steps it has taken to share and address the lessons learned from managing the contract, including clear communication with contractor, escalating issues to decision-makers earlier in the process, and thorough testing of contingency plans.

3.1 The Department agrees with the Committee's recommendation.

Recommendation implemented.

3.2 The Department has learnt key lessons from managing this contract. Jon Thompson outlined five key lessons to the Work and Pensions Select Committee in October 2016, including the need to:

- put customers first when designing any service,
- agree clear escalation routes and timescales up front, and
- effective contingency planning.

3.3 Jon Thompson also stated that the Department would not use a private sector provider to deliver tax credits compliance work in future. Information about what went wrong has been shared widely with senior managers throughout the Department. In addition, in November 2016, and in light of emerging lessons from Concentrix, the Department reviewed its contract with the cross-government debt collection service (the Debt Market Integrator). As a result, the Department is confident that this service has robust and effective communication channels in place. It has a clearly defined incident reporting process with clear escalation routes, so that the supplier knows who is available at any given time in the event that an issue needs to be escalated. The Department is satisfied that, in the event of the need arising, it could terminate its arrangements speedily, with minimal risk to departmental reputation or customer experience.

3.4 Furthermore, the Department is committed to developing its commercial capability through the adoption of the Cabinet Office's Commercial Operating Standards. This will include providing written guidance and training to ensure that lessons learnt from this incident are provided to the relevant staff involved in the management of its suppliers. The Department has strengthened the monitoring and governance of its operational management, using robust, real time performance management reporting that is highly visible to senior management and provides a clear escalation route.

4: Committee of Public Accounts conclusion:
The payment-by-results model used for the contract was flawed and HMRC lacked the commercial capability to design the contract effectively.

Recommendation:
HMRC should set out how it plans to develop its commercial capability and what it is doing to implement its plan. It should work with the Government Commercial Function to take forward this recommendation

4.1 The Department agrees with the Committee's recommendation.

Target implementation date: March 2018.

4.2 The Cabinet Office has published a set of 8 Commercial Operating Standards which define how all Government Departments should operate to ensure strong commercial capability and value for money. The standards are designed to be used internally by each department and integrated into their commercial management. The latest iteration of the standards includes metrics which will inform the Department's approach to improving commercial capability.

4.3 The Department is committed to developing its commercial capability and is fully supportive of the introduction of these standards. It is working closely with the Government Commercial Function to adopt the standards and has produced plans to meet these standards by March 2018. This will include making use of flexible commercial contracts that can adapt to future changes. The Department will also implement adequate contract management processes to ensure that performance is effectively measured against the requirements throughout the contract lifecycle.

5: Committee of Public Accounts conclusion:
The contract only delivered £193 million of savings against an original expectation of £1 billion.

Recommendation:
Now that HMRC has brought this work back in-house, it must set out its plan for tax credit compliance including the associated error and fraud savings it expects to deliver from using its own resources and the 250 staff transferred from Concentrix. It must also show that it has learnt definite lessons to ensure the appalling level of customer service is not repeated by HMRC, which itself has not always delivered a good service to customers.

5.1 The Department agrees with the Committee's recommendation.

Recommendation implemented.

5.2 The lessons learnt from this episode have resulted in the changes made to the tax credits High Risk Renewals activity for 2017 (HRR17). HRR17 has been designed to prevent the customer service failings experienced during 2016. The Department is communicating with claimants more frequently, using a range of channels, with the intention of making the experience better for claimants who receive

an enquiry but are legitimately entitled to tax credits. The Department plans to review the effectiveness of this approach with claimants using an independent research agency, during autumn 2017, once HRR17 activity has been completed. The Department will continue to explore options for improving its processes and will continue to strengthen its control and management of compliance risks, to improve its strategy to promote voluntary compliance and to prevent and respond to error and fraud.

5.3 The Department will publish its approach to tackling error and fraud, including its target for 2017-18, in the Department's Single Departmental Plan. The Department has also published error and fraud statistics for 2015-16. These show that error and fraud increased in 2015-16. The current forecast anticipates further increases in 2016-17 and 2017-18 due to the impact of terminating the contract with Concentrix in November 2016 and non-compliance with the new test for self-employed claimants. This test will deliver savings for the Exchequer in reducing the amount of tax credits paid, but introduces a new area where customers can be non-compliant, which will add to levels of error and fraud. These impacts are expected to mask the benefits of recent improvements in analytics, new compliance interventions and re-skilled compliance teams.

5.4 The Department recognises that there is more to be done to tackle error and fraud and will continue to implement, monitor and evaluate the additional measures it has set out in its error and fraud control framework, on top of the ongoing improvements to compliance processes. The Department will also continue to consider further opportunities for additional improvements.

Fifty Second Report of Session 2016-17

Home Office

Upgrading emergency services communications - recall

Introduction from the Committee

The Government is planning to replace the Airwave system currently used by police, fire and ambulance services in Great Britain (the emergency services) with a new Emergency Services Network (ESN). ESN is a high-risk programme that aims to roll out new technology, untried anywhere else in the world, to an ambitious timetable across all emergency services. The Committee published a report in January 2017 that concluded it was unlikely that the December 2019 target date for delivering ESN would be met and that the Department needed to reassess its timescales. It also concluded that the Department had not budgeted for delays, nor put in place detailed contingency plans to manage them.

Following the Committees evidence session in November 2016 the Department told the Committee that ESN will be delayed by nine months until September 2020. It has also now come to light that extending the Airwave contracts, the Department's sole mitigation against delay in putting the new system in place, might not be possible. In January, Motorola informed the Committee that Vodafone, a key supplier to Airwave, will from March 2020 stop providing an important piece of infrastructure that airwave requires to function, essentially turning it off. This raised the possibility that emergency services may not be able to communicate with each other after March 2020 until transition to ESN is complete in September 2020. The Committee therefore recalled the Department to give further evidence in February 2017.

On the basis of a report by the NAO, the Committee took evidence on 1 February 2017 from the Home Office. The Committee published its report on 21 April 2017. This is the Government response to the Committee's report

Background resources

- NAO report: Upgrading emergency service communications: the Emergency Services Network Session 2016-17 (HC 627)
  PAC report: Upgrading emergency service communications – Session 2016-17 (HC 770)
- PAC report: Upgrading emergency service communications: recall – Session 2016-17 (HC 997)

1: Committee of Public Accounts conclusion:
The 'little slippage' in delivering the ESN programme that the Department told the Committee about in November has now become a delay of nine months.

Recommendation:
The Department should ensure it is in a position to know which regions require an extension of Airwave by the end of 2018. Motorola must confirm that receiving notice at the end of 2018 will give it enough notice to carry out the work required to extend Airwave from December 2019.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: June 2018.

1.2 When Motorola took ownership of Airwave, the Department negotiated a deal to enable monthly extension of contracts by region, rather than requiring an extension of the contract in its entirety for a full 12 months. The agreement also enables the Department to defer the National Shut Down Date (NSD) in the event that extensions are required should ESN not be ready for full national operation.

1.3 The Department must give 12 months' notice to defer NSD or extend service to a Transition Group, specifying which regions require Airwave to be extended and the number of months. As the current NSD for Airwave is 31 December 2019, no formal decision is required about extending Airwave until 31 December 2018. The Programme will initiate a project in June 2018, to assess the delay impact on the NSD and establish the terms of the notice to be given by 31 December.

1.4 The Department's Transition Plan is staggered. The team are working with suppliers to better understand their timeline for delivery and subsequent impacts to user timelines for commencement and completion of transition. It is presently envisaged that some regions may not require contract extensions, whilst the maximum requirement for extension currently stands as an extra 9 months, in order to meet the final region transition completion in September 2020.

2: Committee of Public Accounts conclusion:
With ESN delayed until September 2020, it is not clear how emergency services communications will be provided from March 2020, given that it might not be possible to extend Airwave beyond that date.

Recommendation:
The Department must urgently engage in conversations with Motorola and Vodafone to explore the full range of options for resolving this issue and provide the Committee with regular updates on progress and estimates of any additional costs.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: June 2018.

2.2 The Department has been engaging with Motorola and Vodafone to examine a variety of possible options for the transmission solution. The Department is confident there are a range of credible options. Vodafone have provided positive assurance that they are working through the viability of providing Airwave with service options beyond 2020.

2.3 As Airwave is an outsourced PFI contract, supplied as a service, it is Motorola's responsibility to determine how the service will be provided in the period after Vodafone withdraw their legacy transmission product. Whilst the Department understands that technical solutions are available, Motorola have yet to provide confirmation of how the continuation of the service will be maintained following the withdrawal of Vodafone's legacy transmission product.

2.4 The Department has an agreement with Motorola for extending Airwave services at predetermined prices / indexation arrangements. Therefore, this issue should not result in additional costs to Government within the boundary of the Airwave extension agreements.

3: Committee of Public Accounts conclusion:
It is extremely disappointing that the Department's risk management and assurance arrangements did not pick up earlier the risk that emergency services communications could be unsupported from April to September 2020.

Recommendation:
Given the warning to the Department that it was underestimating the risks, it must review all the current risks to the programme and be realistic and open about these. The Department cannot afford to be caught off-guard again. The suppliers must accept their share of responsibility and ensure they are upfront about problems in delivering the network.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2018.

3.2 The Department has consistently identified the Emergency Services Mobile Communications Programme (ESMCP) as a key Departmental risk due to the transformational nature of the implementation of ESN and its status as the largest Programme operating within the Department. It was first noted on the Departmental Risk Register in July 2015.

3.3 Regular reporting and in-depth analysis has and will continue to take place in relation to ESMCP's risks. The top ESMCP risks and issues are provided weekly for review to the Programme Governance Boards. The Programme will conduct a full review of each risk as migration to the new Risk Management System (SmartCore) which is due to complete September 2017.

3.4 The Department closely monitors risks regarding the longevity of the Airwave Service. The major Airwave risks are shared at the quarterly Airwave Executive Oversight Board attended by the Programme senior management team and Airwave senior management team.

3.5 Risks and issues are reviewed with Motorola and EE on a bi-monthly basis with follow on reviews held at the monthly Mobilisation Board, the supplier facing governance Board. Suppliers are required to highlight their top risks and issues in their monthly Detailed Implementation Plan (DIP) progress reports.

4: Committee of Public Accounts conclusions:
Providing emergency services communications underground is a significant and imminent risk to this programme but the Department has not yet finalised how ESN will work underground.

Recommendation:
TfL and the Department must, as a matter of urgency, work together to ensure that there will be coverage that enables the emergency services to contact each other underground. It needs to ensure that there are no delays to reaching an agreement with suppliers as this may have knock-on effects on the programme. The Committee expects regular updates on progress in resolving this issue. The Department should work with regions to review the existing transition roll-out plan so that those regions are best prepared to move first.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2018.

4.2 The Department continues to work closely with Transport for London (TfL). TfL intends to install and maintain a neutral host solution that will be scaled to deliver ESN but provides the capability to be expanded to support other services in the future. TfL has committed to delivering ESN, for all stations and tunnels, by December 2018. The Department regards this date as an important objective. The Department is actively supporting TfL in their work to prepare detailed plans and is validating TfL's planning assumptions.

4.3 The Department has agreed to fund an infrastructure that supports ESN. TfL will need to develop a viable funding model for the additional costs of delivering other services in the future, such as a Public Cellular Network solution: in addition, the Department will expect to receive payments to offset the investment in public infrastructure if it is being used to provide commercial services from which TfL receives revenue. Discussions between EE and TfL are under way, and the high-level design of the technical solution has been agreed. TfL is working with EE to finalise the design and has appointed Ericsson as the design assurance lead.

4.4 TfL is working on providing a detailed project baseline for delivering ESN, which they intend to put before their Portfolio Investment Committee for approval in October 2017 subject to agreeing funding with the Department. The Department has engaged independent specialist reviewers to assure TfL's proposal ahead of seeking formal requests for funding from Home Office governance bodies.

Fifty Third Report of Session 2016-17

HM Revenue and Customs

HMRC Estate

Introduction from the Committee

HM Revenue and Customs (HMRC) has a strategy to redesign and reduce its estate over the next 10 years. It plans to move from a current estate of 170 offices to 13 large regional centres, supplemented by five specialist sites and a headquarters in central London. HMRC's estate programme is one of 15 current major programmes aimed at transforming how it operates and administers tax. Two thirds of HMRC's current estate is provided under the STEPS contract, a 20-year private finance initiative (PFI) deal, which HMRC set up in 2001 with Mapeley STEPS Contractor Ltd. HMRC considers that the end of this contract in 2021 provides an opportunity to reconfigure its estate. HMRC's relocation programme is the first significant step in government's wider plans to move most civil servants to regional hubs.

In 2015–16, HMRC spent £269 million running its estate, accommodating some 58,600 staff. It forecasts that implementing its plan for a new estate will need an investment of over £500 million over the next 10 years. HMRC considers that it will achieve cumulative efficiency savings of over £300 million in running its estate by 2025–26, and £80 million a year thereafter. It expects that closing existing offices and opening regional centres will result in 38,000 employees needing to move their workplace and estimates that 5,000 staff may leave.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence, on 25 January 2017, from HMRC and the Government Property Unit on HMRC's strategy for moving to regional centres, how this fits with its other transformation programmes and with the Government Property Unit's plans for estate rationalisation, and how HMRC is managing the STEPS contract, through to its end in 2021. The Committee published its report on 28 April 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *Managing the HMRC estate* – Session 2016-17 (HC 726)
- PAC report: *The HMRC Estate* – Session 2016-17 (HC 891)

1: Committee of Public Accounts conclusion:
HM Revenue & Customs has yet to demonstrate that it has a realistic and affordable plan to deliver such a radical change to its estate, and the Committee does not believe that it needs to be based in expensive cities across the UK.

Recommendation 1a:
In re-working its business case, HMRC should reconsider whether moving to major city centres is the optimal way to deliver its objectives and achieve value for money. As part of this exercise it should compare the costs and benefits of its chosen approach, and the selected locations, with alternative sites.

1.1 The Department disagrees with the Committee's recommendation.

1.2 The Department has put considerable thought into where best to locate the regional centres. It used 8 location principles, including cost, to ensure it chose the best locations to deliver its transformation goals. The Department already has large numbers of staff in the selected city centre locations, which is easier for staff travelling by public transport in the city than to outlying offices. This approach allows the Department to retain staff, thus reducing staff impact, minimising business disruption and reducing cost.

1.3 The Department has now completed the rework to its business case, reviewing the overall costs and benefits of the programme. As a result, some changes have been made that have significantly reduced costs. These changes adapted the timeframe for the programme's implementation, but ensure excellent value for money in the medium and longer term. They were outlined as part of the strategic case presented to the Major Projects Review Group in early May 2017, who agreed to recommend approval, subject to some conditions and clarifications.

1.4 The Department's negotiations are either completed or well advanced in all the selected locations. To pause this work now to facilitate a further review could mean that the Department would incur additional costs of up to £75 million a year, which it would avoid by acting before the contract with Mapeley comes to an end in 2021.

Recommendation 1b:
HMRC should write to the Committee by the end of June 2017 identifying the costs and benefits of the options it has considered in its revised business case, the risks it will need to manage, and what contingency plans it has in place.

1.5 The Department agrees with the Committee's recommendation.

Recommendation implemented.

1.6 The Department wrote to the Committee on 16 June 2017, identifying the costs and benefits of the options it has considered in its revised business case.

2: Committee of Public Accounts conclusion:
Measures being considered to de-scope the programme to reduce its costs could compromise the long-term outcomes sought by HMRC.

Recommendation:
HMRC, HM Treasury and the Government Property Unit must decide what matters most: a programme which makes savings for HMRC in the short to medium term; or one which optimises the value for money of HMRC's and wider Government's estate in the long run. When the Committee returns to this topic, the Committee expects to hear how the Government has reconciled these potentially conflicting challenges.

2.1 The Department agrees with the Committee's recommendation.

Recommendation implemented.

2.2 The Department has reviewed its programme business case, including the overall costs and benefits of the programme. As a result it has made some changes that significantly reduce costs, although they do not de-scope the programme nor will they compromise the quality of enduring locations. However, the Department will take slightly longer to implement the programme. This approach ensures value for money in the medium and longer term for the Government.

2.3 The amended programme business case was reviewed by the Major Projects Review Group (MPRG) in May 2017 and was subsequently approved by the Chief Secretary to the Treasury. The MPRG review focused on assessing strategic fit, deliverability, affordability and the value for money of the programme. The MPRG recommended approval of the programme business case to the Chief Secretary to the Treasury and Minister for the Cabinet Office, while putting in place a number of conditions, including progress being assured by the Infrastructure and Projects Authority (IPA) on a regular basis (at least six monthly), and the Department returning to the MPRG in 12 months or earlier if costs increase beyond agreed tolerances.

2.4 HMRC continues to work with the Government Property Unit (GPU) and the shadow Government Property Agency (GPA) to drive the wider Government agenda of ensuring estate policy is aligned to Departmental strategies. Together, the first phase of this transformation will be delivered with approvals from across Government ensuring the right decisions are made for the long term. All HMRC Regional Centres will ultimately form a critical part of regional Government hubs, several of which will also accommodate other Government Departments.

2.5 The Government Hubs Programme will undertake significant work over the next 10 years to acquire new buildings or refurbish existing buildings in order to realise the Government's aim for regional hubs. There is a Government Property Acquisitions Strategy in place that describes how the Government will deliver best value to the Exchequer across the hub estate by balancing the financial benefits of longer leases, timeliness of delivery and the need for flexibility to respond to demand changes, especially void risk and obsolescence. The *HMRC Locations Programme Business Case and Property Strategy* remains fully aligned with this.

3: Committee of Public Accounts conclusions:
The scale of HMRC's relocation plan carries a high risk of disruption to its core business of collecting tax and serving customers.

Recommendations:
HMRC must prioritise the continuity of tax collection and customer service during office closures and the moves to regional centres, and identify how it is protecting its operations from the risk of business disruption. It should develop a clear plan to preserve its corporate memory and retain the expertise of key staff for as long as is necessary to recruit and train adequate replacements. HMRC should set out the actions it is taking when it writes to us in June 2017.

3.1 The Department agrees with the Committee's recommendation.

Recommendation implemented.

3.2 The Department wrote to the Committee on 16 June 2017 about its plan to preserve its corporate memory and retain the expertise of key staff.

4: Committee of Public Accounts conclusion:
HMRC's 20-year contract with Mapeley STEPS Contractor Ltd was too large and took control away from HMRC, leaving the department with an estate that no longer meets its needs.

Recommendation:
The Government Property Unit and Cabinet Office should work with HMRC to identify and apply the lessons learnt for government from the STEPS contract. It should prioritise putting in place the commercial and property skills needed to negotiate contracts and manage government's future estate efficiently and effectively.

4.1 The Department agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The STEPS PFI contract was good value for money for the taxpayer at the time it was signed in 2001. The NAO endorsed the improved management and the overall reduction of the cost of running the Departmental estate. However, service delivery has not been of an acceptable standard, on a consistent basis across all measures of performance.

4.3 The Department has identified, and is now applying, key lessons learnt from the STEPS contract on how future property deals and service contracts should be structured to deliver both value for money and quality of service. The Department and the shadow Government Property Agency (GPA) have used external expertise and recruited a number of property and commercial leaders to ensure that the best property deals are driven out and that costs are rigorously monitored and reported.

4.4 Following a meeting between the Chief Executive of the Civil Service and the Chief Executive of the Department on 31 March 2017, the shadow GPA and the Department have agreed proposals to bring their respective property teams together to deliver phase 1 of the Government Hubs Programme jointly, including the *Building Our Future Locations Programme*. This is being done to make the best use of existing assets in both teams, collapse governance and accelerate progress by removing obstacles and facilitating better co-ordination between the shadow GPA and the Department.

5: Committee of Public Accounts conclusion:
HMRC has signed 25-year leases for two of its regional centres which, as technology and working practices change, could lock government into holding larger properties than it will need.

Recommendation:
HMRC and the Government Property Unit should work together to ensure there is an appropriate mix of medium- and long-term leases that provide flexibility for regional centres and hubs so that the Government estate can adapt to future changes in the way Departments work

5.1 The Department agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

5.2 The Department is at the forefront of the wider Government Hub Strategy, and is working very closely with the Government Property Unit (GPU). In all locations, the new buildings are in accordance with the Government Property Acquisition Strategy and are subject to national property controls through the Cabinet Office. Regional centres represent no more than 70% of the core civil service demand over the length of the lease. The Department is therefore confident that demand from the civil service alone is more than sufficient to fill the space available.

5.3 As a condition of the leases, the Department will be able to sub-let to other Government Departments and, in most cases, to third parties on a commercial basis. HMRC will be located in Government Hubs, close to other Government Departments. This will provide more flexibility should HMRC's respective space requirements increase or decrease.

5.4 The Department is very clear on the need to avoid the creation of a "cliff edge" of lease expirations in 25 years, balancing this with the better value for money settlements that longer leases offer. The Department therefore plans to have a balance of 20 and 25 year leases for its major buildings and, where feasible, is looking at negotiating "lease break" options or shorter leases.

Committee of Public Accounts conclusion:

6: ***The Government Property Unit did not convince the Committee that its plans to manage the Government estate through a new quango will improve value for money.***

7: It is not clear how the local impact of office closures is being factored into relocation decisions.

Recommendations:

6: ***Before committing itself to establishing a new agency, the Government Property Unit should write to the Committee setting out clearly why it thinks centralising the management of the Government estate will improve quality and efficiency. It should identify in its letter the proposed aim, role and responsibilities of the new organisation, including what authority it will have over Government Departments.***

7: The Government Property Unit should set out the rationale for having regional hubs and mini-hubs and for determining their locations. It should also explain how it is taking into account the impacts on local economies when deciding how the Government estate should be configured. The Committee has concerns that HMRC savings could end up shunting costs to other parts of the public sector particularly if jobs are lost. It should confirm as soon as possible the planned locations of regional hubs and mini-hubs. When HMRC writes to the Committee in June 2017, it should say how, if at all, it intends to make use of the proposed network of 200 mini-hubs.

6.1 The Department agrees with the Committee's recommendations.

Recommendations implemented.

6.2 The Government Property Unit wrote to the Committee on 22 June 2017, saying why it thinks centralising the management of the Government estate will improve quality and efficiency. The GPU also set out the rationale for having regional and mini-hubs and for determining their locations. It explained how it is taking into account the impacts on local economies when deciding how the Government estate should be configured.

6.3 HMRC wrote to the Committee on 16 June 2017, confirming that it will not be making use of the proposed network of 200 mini-hubs.

Fifty Fourth Report of Session 2016-17

Department for International Development

Department for International Development: investing through CDC

Introduction from the Committee

The Department for International Development aims to reduce poverty in part by promoting economic development and global prosperity in the developing world. CDC Group plc is the Department's principal mechanism for encouraging private sector investment in developing countries. CDC is a private company wholly owned by the Secretary of State for International Development. CDC's mission is to *"support the building of businesses throughout Africa and South Asia, to create jobs and make a lasting difference to people's lives in some of the world's poorest places"*.[1] In July 2015, the Secretary of State for International Development approved the business case for a £735 million recapitalisation of CDC to provide further funding for CDC to invest in new projects. The Commonwealth Development Corporation Act 2017, enacted after the Committee took evidence, increases the existing limit of government funding for CDC of £1.5 billion to £6 billion.

On the basis of a report by the National Audit Office, the Committee took evidence, on 8 February 2017, from the Department for International Development, and CDC. The Committee published its report on 25 April 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *Department for International Development: investing through CDC* Session 2016-17 (HC 784)
- PAC report: *Department for International Development: investing through CDC* Session 2016-17 (HC 956)

1: Committee of Public Accounts conclusion:
CDC's existing targets for financial and development performance, established in 2012, do not adequately reflect the changing size and nature of CDC's investment portfolio.

Recommendation:
When agreeing the next 5-year investment policy (due in 2017), the Department should review the nature and values of the targets it sets for CDC, to make sure they reflect the diversity of CDC's investment portfolio and economic trends in the countries in which it is investing.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 The new investment policy for CDC for 2017-2021 was approved by Ministers in April 2017. As part of this process, the Department reviewed the nature and value of the performance targets it sets for CDC to ensure they support strategic objectives of mobilising private capital and maximising development impact.

1.3 CDC's returns over the last 5 years have been buoyed by legacy investments made under CDC's pre-2012 strategy which now form a shrinking share of the portfolio. Returns were further boosted in 2016 by a significant foreign exchange gain on investments following sterling's depreciation. CDC's portfolio is increasingly focussed on the poorest countries where risks are high and returns low. Accordingly, the Department's view is that a 3.5% per annum five year average sterling return remains a suitably challenging target for CDC, particularly in light of global economic headwinds.

1.4 The Department has also reviewed and agreed changes to the Development Impact Grid – against which CDC measures its Development Impact. Country categories have been updated to reflect the latest available economic data and the DFID fragility index has been included to ensure Fragile and Conflict Affected States are properly prioritised. The prioritisation of sectors in the Grid has also been reviewed. Taken together these changes have increased the difficulty of CDC achieving the target of 2.4, which remains challenging (in terms of geography and sectors) compared to its DFI peers. In addition to

the development impact grid the Department has also agreed an improved reporting framework against which CDC will manage progress and measure impacts achieved.

2: Committee of Public Accounts conclusion:
It is difficult to determine what wider economic development impact CDC has achieved.

Recommendation:
The Department and CDC should design and publish an evaluation plan for CDC to sit alongside the new investment policy being prepared. The Department should also, as soon as possible, and in advance of any further increases in CDC's funding, let the evaluation contract agreed as part of the business case to recapitalise CDC.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2017.

2.2 The Department and CDC are designing a comprehensive and co-ordinated evaluation plan that uses a mix of appropriate methodologies to assess the direct and indirect, short and longer-term development impacts of CDC activities - on people, jobs, firms, sectors, financial flows and the behaviour of other investors. The different components of the evaluation plan will be set out in the Monitoring and Evaluation (M&E) section of the Department's new CDC Business Case and, if approved, will be published by December 2017.

2.3 As well as generating more and better evidence to prove impact, the evaluation plan will also be designed to ensure emerging findings from evaluation studies help to improve CDC's investment appraisal and M&E systems, through provision of practical insights and analysis that can deepen understanding of routes to impact.

2.4 The evaluation plan will sit alongside an expanded approach to monitoring impact which the Department and CDC have agreed. This approach will track a range of indicators at portfolio, sector and individual investment level. It includes additional areas of reporting that CDC have agreed to work on over the coming 5-year strategy period, including on sector specific indicators, climate change, women's economic empowerment and job quality.

2.5 The Department is currently tendering for a major longitudinal study and will be in a position to award the contract by October 2017.

3: Committee of Public Accounts conclusion:
The relationship between the Department and CDC is confused.

Recommendation:
The Department should write to the Committee by the end of July 2017 setting out a detailed rationale for the current arrangements. The Department should also look again at governance arrangements, including having a representative from the Department, as sole shareholder, on CDC's board; and clarifying whether the Department can veto or influence investment decisions.

3.1 The Department agrees with the Committee's recommendation.

Recommendation implemented

3.2 The Department wrote to the Committee on 25 July 2017.[12]

3.3 The Department has reviewed the governance structures in place and has concluded that the current arrangements with respect to Board representation and the Department's involvement in investment decisions remain the right ones.

[12] http://www.parliament.uk/documents/commons-committees/public-accounts/Correspondence/2017-19/Correspodence-DfID-CDC-Report-17-19.pdf

3.4 The Secretary of State for DFID appoints the Chair and two of the non-executive directors to the Board, but the Department has taken a deliberate policy decision not to appoint its own officials to the CDC Board. The Department sets CDC's strategic direction through agreement of a 5 year investment policy, which details the sectors and geographies that CDC can and can't invest in, standards it is required to meet and the portfolio performance targets it must achieve. But the Department does not exercise a veto or otherwise seek to influence CDC's investment decision making process on specific investments. The current arrangements ensure that there are clear lines of accountability from Management to the Board, and from the Board to the Department as shareholder. They also provide confidence to other investors and potential investee companies that CDC makes investment decisions free from political interference.

3.5 The NAO, in 2016, undertook a comprehensive review of the way in which the Department – as shareholder – exercises oversight and determines CDC's overarching investment policy and concluded that the governance arrangements were "thorough". The Department accepts the recommendation to keep governance arrangements under periodic review to ensure they continue to reflect best practice.

3.6 The Department and CDC have recently agreed a new set of updated governance documents. A new Memorandum of Understanding between DFID and CDC clarifies the way in which the two organisations work together. The Department has also issued a new Chair's letter detailing DFID's expectations of the Chair of the Board. The Department and CDC have also agreed to modernise the Articles of Association to further strengthen lines of accountability.

4: Committee of Public Accounts conclusions:
The Department approved the business case for the £735 million recapitalisation of CDC in 2015 without seeking investment advice from external experts.

Recommendation:
To make sure it is acting as an intelligent customer, the Department should employ external investment experts to quality assure, and provide independent challenge to, future business cases recommending further investment in CDC.

4.1 The Government disagrees with the Committee's recommendation.

4.2 The Department does not believe that external investment experts need to be employed to quality assure a future business case for CDC as the Department has the expertise necessary in house to develop, challenge and quality assure a business case. The internal Quality Assurance Unit is overseen by the Chief Economist and can draw on expertise from across the Department – including private sector specialists and development economists.

4.3 Further independent challenge and advice is provided by UK Government Investment (UKGI) whose role is to support the Department in oversight and management of CDC. The Department will also take advice across Government from those with an understanding of international capital markets. The Business Case will go through Departmental value for money scrutiny processes, including from the Treasury.

4.4 The Department proposes to follow the same quality assurance process used for the £735 million CDC business case, completed in 2015, which the NAO concluded *"made a convincing argument for the need for the additional capital"*. This same process is also used to approve additional capital injected by DFID into the multilateral development banks.

5: Committee of Public Accounts conclusions:
CDC faces serious recruitment and retention challenges which may undermine its ability to meet the Department's ambitions for future investment through CDC.

Recommendation:
The Department and CDC should agree CDC's approach to recruitment and retention alongside agreeing the next five-year investment strategy and three-year remuneration framework. As part of the business case for further investment in CDC, the Department should ask CDC to set out how and when it will secure the right number and mix of resources to oversee the proposed expansion it its business.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2017.

5.2 The CDC Board's People and Remuneration Committee has carried out a review of CDC's employee value proposition to ensure that CDC can attract and retain high-quality employees. This has included how to make more of the non-monetary benefits of working at CDC to retain and recruit staff, as befits a mission-driven organisation. A thorough benchmarking exercise has been undertaken and a number of targeted adjustments made to the Remuneration Framework to address specific recruitment and retention issues faced by the company. The Department has worked closely with the CDC Board on this and has taken advice from UKGI and the Treasury.

5.3 To deliver the objectives set out in its new 5-year strategy covering the period 2017-2021, CDC will need to expand capacity and recruit and retain staff with the right skills and expertise. CDC has shared with the Department its forward staffing plan, detailing the number and mix of new staff required. A summary of this plan will be included in the management case for the proposed CDC capital increase currently being drafted. The Business case, if approved, will be published by December 2017.

Fifty Fifth Report of Session 2016-17

Department for International Development / Foreign and Commonwealth Office

Tackling overseas expenditure

Introduction from the Committee

In line with its commitment to spend 0.7% of gross national income (GNI) on Official Development Assistance (ODA), the Government spent £12.133 billion on overseas aid in 2015. To meet this commitment, DFID's budget rose from £7.722 billion in 2011 to £9.767 billion in 2015, a 26.5% increase. In 2015, the Government published its Strategic Defence and Security Review, which committed DFID to spend at least half of its budget in 'fragile states and regions', places that are more likely to be vulnerable to fraudulent activity. DFID currently concentrates its bilateral funding in 32 countries, 15 of which are ranked as among the most corrupt according to Transparency International's Corruption Perception Index, a widely recognised measure of fraud risk. Traditionally, the FCO and the British Council have focused on internal fraud risks, such as business processes and personnel, including locally-employed staff across 268 posts and 115 countries respectively. More recently the FCO's ODA budget has risen to £466 million, bringing its fraud risks more in line with those faced by DFID.

On the basis of a report by the National Audit Office, the Committee took evidence, on 15 March 2017, from the Department for International Development, the Foreign and Commonwealth Office, and the British Council. The Committee published its report on 25 April 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *Department for International Development: investigation into the Department's approach to tackling fraud* - Session 2016-17 (HC 1012)
- PAC report: *Tackling overseas expenditure* – Session 2016-17 (HC 1034)

1: Committee of Public Accounts conclusion:
Reported levels of fraud in DFID, FCO and British Council expenditure do not seem credible, given the risks they face overseas.

Recommendation:
Within six months, all three bodies should report back to the Committee setting out what more they will do to provide better estimates of the likely levels of fraud.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

1.2 The Department for International Development is engaging in a range of Cabinet Office initiatives as part of the wider Government Cabinet Office Fraud, Error and Debt activities. The Department is also deploying innovative ways to identify fraud. For example: a delivery chain mapping tool has been launched to assist in the identification of fraud risks and to design appropriate mitigating controls.

1.3 As part of the Cabinet Office random sampling exercise, the Department will test the procedures for the disposal and transfer of assets as part of the project closure process. Lessons learned will enable the Department to test additional areas in its programme delivery in future years. The Department remains fully committed to publishing to the International Aid Transparency Initiative (IATI) standard and requires its partners to do likewise. Increasing the use of IATI data will give us the opportunity to identify aid diversion.

1.4 In instances where there is no evidence of proven loss to a legal standard but aid diversion has been identified a fraud loss measurement methodology to estimate potential loss on individual programmes has been used. This work has allowed successful recovery on a number of cases without the need for evidence to a legal standard. Technical experts commissioned by the Department advised against attempts to measure total fraud loss in its budget as the costs would be disproportionate. The Department will however continue to explore this issue.

1.5 The British Council is currently working towards identifying more fraud. In addition to awareness raising and making the reporting of fraud simpler, the British Council is actively mapping data sets to enable analysis to take place. Additional resources are being provided with regional roles being developed which will include a counter fraud aspect to their job description. This will allow for enhanced capacity at a regional and country office level and provide additional support to high risk areas.

1.6 The Foreign and Commonwealth Office is planning to introduce data analytics software to identify possible fraudulent activity; is refreshing its counter-fraud guidance; and is taking professional advice on further ways to look actively for fraud within its programme funds.

2: Committee of Public Accounts conclusion:
DFID has adapted well to manage its rising fraud caseload but further improvements can be achieved.

Recommendation:
DFID should review how it prioritises fraud allegations to focus on the areas of greater financial and reputational risks.

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

2.2 The Department has developed a strategic counter fraud reform plan aimed at further strengthening its processes. On 1 April 2017, a new triage priority process was implemented that provides improved risk analysis across the Department's cases. The Department has extended the existing three level priority classifications to include two new lower risk ratings priorities. Each level of priority, from one to five, considers a number of fraud risks including financial, operational and reputational factors. A combination of these factors is taken into account when the Department assesses the initial complaint through its fraud inbox. A new investigation case will be opened and assigned a priority risk rating by the Department's fraud team which is based on the overall potential impact on the Department and the Government, with priority one the highest risk.

2.3 As part of the introduction of the five new risk priority levels, the Department has reclassified existing priority three cases across the new lower ratings. This has allowed the Department to respond more effectively, making the best use of its professional investigation resources to focus on the high priority cases which carry greater financial and reputational risk. The Department's counter fraud team also work with operational departments to provide advice and guidance on the lower priority cases to ensure they reach a successful outcome. Case progress reports and updates are shared across the Department based on case management system data. The reporting system maintains focus on the highest issue priority cases as well as ensuring visibility across the whole caseload.

3: Committee of Public Accounts conclusion:
DFID needs to do more to determine the effectiveness of its delivery partners' counter-fraud measures.

Recommendation:
DFID should undertake an assessment of the ability of its principal non-governmental organisation partners to manage fraud risks, which it should use to inform future spending decisions.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 The Department already undertakes rigorous assessment of the ability of any non-governmental organisation we work with, to manage fraud risks. This is part of our due diligence assessments carried out on all delivery partners prior to entering into any formal grant arrangement. The Department's new accountable grant template includes specific requirements for all implementing partners to map the delivery chain and identify risks throughout the chain as part of the Due Diligence Framework.

3.3 Furthermore, the Department's Civil Society Partnership Review (CSPR) announced a new approach for meaningful, strategic and efficient engagement with civil society in the UK and overseas. The CSPR includes the introduction of a Statement of Priorities and Expectations for all civil society organisations funded by the Department and the establishment of a Key Relationship Management Programme for selected non-governmental organisation, which will enhance joint working and promote the continuous improvement of standards and practices managing UK taxpayer money.

4: Committee of Public Accounts conclusions:
The FCO's and the British Council's counter-fraud activities do not yet match the risks they face. In particular, the FCO does not yet have adequate controls in place for assuring its increasing programme funds.

Recommendation:
The FCO and the British Council should each publish a clear plan setting out how they will improve their counter-fraud activities.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

4.2 The British Council has published an internal document that outlines its counter fraud strategy for 2017-18. This outlines the key areas in which they are working, which include awareness raising, reporting and detecting, responding, and prevention. It also provides further details of their mission and values plus details of the case triage process.

4.3 The Foreign and Commonwealth Office (FCO) is committed to obtaining value for money for the taxpayer and part of this is mitigating the risk of fraud. The FCO works to the philosophy that robust controls consistently applied, supported by independent assurance processes and robust whistleblowing procedures, are the most cost effective way to mitigate the risk of fraud. The fraud risk is always considered when new procedures are introduced or there are changes to existing procedures.

4.4 Anti-fraud controls include due diligence on suppliers, strict procurement rules and robust activity based budgets. We pay suppliers in arrears based on evidence of satisfactory delivery against milestones or that pre-authorised expenditure has been incurred. This is supported by assurance processes to ensure compliance with those procedures. Where payment in arrears is not possible for example SMEs who have a specific cash flow requirement there is a strict governance process in place to approve any payments. The FCO will publish a document on its website outlining enhancements to the control regime to further mitigate the risk of fraud.

4.5 The Department is working to ensure that relevant staff understand financial management controls, especially as the number of staff involved increases. The Department is also working with the other organisation towards using their intelligence to improve due diligence.

5: Committee of Public Accounts conclusions:
DFID, the FCO and the British Council publish limited information on confirmed cases of fraud and how they were resolved.

Recommendation:
All three bodies should publish more detailed information on their fraud cases for 2016–17, including any sanctions applied for each case. Each body should include a link to this information in its next Annual Report and Accounts. The Treasury should also review its guidance for reporting fraud, and specifically whether its minimum requirements are appropriate for DFID, the FCO and the British Council.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2018.

5.2 The Department for International Development is committed to transparency. The Annual Report and Accounts are published in line with the Treasury initiative to drive consistency across UK Government Departments and complies with the Treasury's *Managing Public Money* and the *Financial*

Reporting Manual. The Department recognises the importance of sharing fraud related information and continues to participate in the Government Cabinet Office Fraud, Error and Debt reporting through the Consolidated Data Reporting (CDR) exercise. The Department's results will be published along with those of all Government Departments in the first Cabinet Office Fraud Annual Report. Both the Treasury and Cabinet Office maintain relevant guidance and will update Departments to any changes in the guidance.

5.3 Details on fraud loss and recovery are publically available on the Department's website. Sanctions are taken against individuals and organisations where there is evidence of fraud being committed. The Department will work with the FCO and British Council, and liaise with the Treasury and Cabinet Office on developing a standardised benchmark across Government for reporting fraud related management information.

5.4 The British Council is committed to transparency and will publish this data which will be available on their external website, and provide high level data, plus a breakdown to individual case level. The link to this will be included in their annual report and accounts for the 2016-17 financial year, and updated quarterly thereafter.

5.5 The Foreign and Commonwealth Office is committed to transparency in the use of public money and is happy to publish the information. Historically, the FCO has met prescribed requirements relating to the publication of information. This information has not been previously published as there had been no request to do so. The Foreign and Commonwealth Office is working with the Department and the British Council to ensure a uniformity of approach to the presentation of the information.

Fifty Sixth Report of Session 2016-17

Ministry of Defence

The Defence Equipment Plan

Introduction from the Committee

Following the identification of a long-term imbalance between available funding and forecast expenditure in 2009, the Ministry of Defence had to re-scope, cancel and delay a number of equipment procurements to balance its budget. In response to this, and to generate greater stability in procurement activity, in 2012 the Department took the important step of producing an annually updated 10-year Equipment Plan which forecasts spend on military equipment and related support. Annually, the Department publishes a Statement on the affordability of the Plan, and at the request of the Secretary of State, the Comptroller and Auditor General reports on the robustness of the assumptions underpinning the Plan.

After a period of relative stability, the 2015 Strategic Defence and Security Review added over £24 billion of new commitments to the Plan which is forecasting expenditure of £178 billion from 2016 to 2026. Additional external funding supports only just over £6 billion of these new commitments. The rest is to be met by efficiency savings from existing projects in the plan and other areas of the wider defence budget. The Plan accounts for over 40% of the entire Defence budget.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence, on 1 March 2017, from the Ministry of Defence on the Departments Equipment Plan. The Committee published its report on 25 April 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *The Equipment Plan 2016 to 2026* – Session 2016-17 (HC 914)
- PAC report: *The Defence Equipment Plan* – Session 2016-17 (HC 957)

1: Committee of Public Accounts conclusion:
The Ministry of Defence committed itself to new equipment purchases arising from the 2015 Strategic Defence and Security Review before it had established how these would be paid for.

Recommendation:
When the Department presents the next Equipment Plan to Parliament, it should report on progress being made against its 2015 and 2016 plan targets, and detail the impact on the Plan of any shortfall in available funding resulting from a failure to meet these targets, including any resulting time slippages or cost increases on individual projects.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2018.

1.2 The Department will publish the 2017 Equipment Plan where it will provide an updated position on progress towards delivery of the efficiency plan targets.

2: Committee of Public Accounts conclusion:
Uncertainties and over-optimism in project costs mean that the cost of the Plan might be significantly understated.

Recommendation:
The Department must ensure that costings for the new projects introduced into the Plan by the Review are put on a firm footing as quickly as possible, with appropriate input from the Cost Assurance and Analysis Service (CAAS), and incorporate any increase in cost into next year's Plan.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2018

2.2 New requirements, including those resulting from the Strategic Defence and Security Review, are considered and prioritised against Defence outputs before entering into the investment process. Requirements that are selected are delegated to the relevant Front Line Command who then follow the Concept, Assessment, Development, Manufacture, In-Service, and Disposal cycle for acquisition. The Concept phase defines the outputs that the Users require and involves industry in identifying the procurement options and costs.

2.3 Business case approval is required to progress to the Assessment Phase, based on agreed costs, time and performance. The project budget for the remaining phases is set at the Main Gate investment appraisal. The Cost Assurance and Analysis Service are involved throughout the process. Any changes in cost are taken into account in the DE&S's Quarterly Review of Performance and Cost process.

3: Committee of Public Accounts conclusion:
The Department is experiencing continuing problems in delivering the Astute submarine programme within budget.

Recommendation:
In addition to its ongoing commitment to provide Parliament with an annual update on the future nuclear deterrent, the Department should report on the progress made to finalise the structure for the management of nuclear programmes, and report how the new governance model is addressing the failures of the past.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2018.

3.2 The Department will include an update on the development of the new Director General Nuclear organisation and Submarine Delivery Agency within the 2017 Equipment Plan summary.

3.3 The Department will continue to report on the organisational, managerial, and contractual changes being implemented to deliver the Dreadnought and other nuclear programmes as appropriate, including in the annual report on the Dreadnought Programme and the Department's Annual Report and Accounts

4: Committee of Public Accounts conclusions:
Over a period of years, the Department has failed to agree a workable way forward with the prime contractor on the procurement of the Type 26 warship, which has compromised maritime capability and placed further upward pressure on costs.

Recommendation:
As part of the development of the Government's industrial strategy, the Department should clarify how it will balance the potentially conflicting priorities of maintaining the UK industrial base with maximising value for money and long-term skills retention for the services and industry from major equipment procurement.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

4.2 The Department will refresh the Defence Industrial Policy in 2017, setting out the further steps that it will take to help industry grow and compete successfully, consistent with Departmental commitment to maximise value for money.

5: Committee of Public Accounts conclusions:
The recent fall in the value of the pound against the US dollar may lead to significant cost increases for equipment purchased in US dollars.

Recommendation:
Before the Department presents the next Equipment Plan to Parliament it should establish whether the Treasury will fill the funding gap created by exchange rate fluctuations, or whether the Department will have to find the money from its own budget. These discussions should also focus on the current forward purchase policy, and whether a three year window gives sufficient protection given the long-term nature of the Department's projects.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 The Department addresses the impact of short term variations in foreign exchange rates as part of the routine financial management of the Defence programme. This includes the forward purchase of foreign currency at agreed prices using services provided by the Bank of England and the Treasury. The Department has taken advice on what period is most appropriate for the forward purchase, and has done additional work to confirm this, and currently is content with a period of three years. This approach provides the Department with a degree of price stability that is currently mitigating the effect of the current foreign exchange position on the Department's costs. Discussions on the impact of foreign exchange variation will continue.

6: Committee of Public Accounts conclusions:
There is no longer any scope in the Plan to cope with new equipment requirements resulting from emerging threats.

Recommendation:
Future Equipment Plans presented to Parliament should show the impact of accommodating any new requirements on existing plans. As well as indicating what capability has been changed, the Department should show the incremental costs associated with any decisions to re-scope, cancel or delay existing projects, even where these occur beyond the current Plan.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2018.

6.2 The annual planning cycle is used to maintain the affordability of the Equipment Plan in the face of changes in requirements, progress with existing projects and other factors. The key changes are reflected in the Department's annual Equipment Plan summary.

Fifty Seventh Report of Session 2016-17

Department for Education

Capital funding for schools

Introduction from the Committee

In England there are around 21,200 schools, educating 7.9 million pupils aged between four and 19. Local authorities are legally responsible for ensuring that there are enough places for all children to attend good schools. The Department for Education allocates capital funding and oversees the provision of school places. In 2015–16 it provided £4.5 billion, around half to create places in new or existing schools and half to maintain and improve school buildings. The Department also uses capital funding to support its wider reform agenda, by opening new schools as part of the expanding Free Schools Programme, which aims to increase choice, encourage innovation and promote competition, and thereby raise educational standards.

The Department expects to open 883 free schools by 2020 – this total includes the 500 free schools that the Government promised in 2015. The Government has committed to provide funding for a further 110 free schools beyond 2020. There is no automatic link between a new school being granted permission to open and the need for a new school in an area.

The Department sets the policy and statutory framework for spending capital funding and is accountable for securing value for money from this funding. The Education Funding Agency is responsible for implementing the Department's capital policy, in some cases directly and in other cases through local authorities, academy trusts or individual schools

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence from the Department for Education and the Education Funding Agency on capital funding for schools. On 1 April 2017, the Education and Skills Funding Agency was formed following the merger of the Education Funding Agency and Skills Funding Agency. The Committee published its report on 25 April 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *Capital funding for schools* – Session 2016-17 (HC 1014)
- PAC report: *Capital funding for schools* – Session 2016-17 (HC 961)

1: Committee of Public Accounts conclusion:
The Committee was not convinced that the Department for Education is using its funding in the most coherent and cost-effective way to provide the right number of school places in the right areas at the right time.

Recommendation:
The Department should demonstrate to the Committee how it will work effectively with local authorities to understand local demand for school places. It should also define more clearly the range of surplus places that local authorities should seek to maintain, how the Department will fund these, and the circumstances where higher or lower levels of spare capacity would be tolerated.

1.1 The Government agrees with the Committee.

Target implementation date: April 2018.

1.2 Providing sufficient school places is one of the Departments top priorities. The Department already works closely with local authorities to understand local demand for school places. Local authorities submit data to the Department annually through the school capacity (SCAP) survey, which includes the current capacity of the schools in their area and the foremost demand for school places, on which funding allocations are based. The current SCAP survey improves upon past methods for collecting data on the need for school places. The Education and Skills Funding Agency (ESFA) pupil place planning advisers have an open dialogue with local authorities to maintain a live understanding of

the need for places in each local area. The advisers also offer support and challenge as appropriate to ensure sufficient schools places are delivered.

1.3 In this period of sustained demographic growth in the school age population, the Department and the system have rightly focussed on the delivery of sufficient places to meet demand. The Department recognises the need to consider the appropriate level of capacity to maintain as the current demographic pressure moves through the system. It will always be necessary and efficient to have some unfilled places in schools and the right capacity to maintain in a given area will depend on many local factors. The Department will continue to work closely with local authorities, schools, and academy trusts to understand the costs of unified places and how best to measure capacity is managed to a prudent level in each local area.

2: Committee of Public Accounts conclusion:
It is not clear precisely what the Department means when it says it aims to provide parents with choice and whether it is creating choice fairly and cost-effectively.

Recommendation:
For each successful application, the Department should quantify and publish the extent to which the proposed free school aims to meet local needs for new school places, greater parental choice and improved educational standards. The Department should also set out how it weighs up the costs and benefits of choice in assessing applications, and how it makes sure that it creates choice in a cost-effective and fair way across the country.

2.1 The Government agrees with the Committee.

Target implementation date: July 2018.

2.2 The Department is committed to a free schools programme that delivers greater choice, innovation and higher standards for parents. The Department agrees that every free school should meet local needs and demonstrating why a proposed free school is needed is, therefore, crucial to the outcome of every application.

2.3 For each free school application round, the Department has published a "criteria for success" document, which included the range of circumstances in which a local area might need a new school. The most recent success criteria document (July 2016) set out six reasons why a free school could be needed. These included the need to provide more school places, the need to address underperformance in existing schools or the need to meet demand for greater choice and diversity, such as by offering a different curriculum, ethos or pedagogy. Each application was assessed against the success criteria and only the strongest applications were approved. After each application round, the Department has published the successful applications so the extent to which each addressed the success criteria and met the local need for a new school was clear.

2.4 In due course, the Department will confirm its arrangements for approving new free schools and will set out the range of circumstances in which a new school might be needed.

3: Committee of Public Accounts conclusion:
On average, the Department has paid nearly 20% more for land for free schools than official valuations.

Recommendation:
By the end of December 2017, the Department should set out how it will assess the performance of LocatED, including whether it is able to recruit and retain staff with the specialist skills it requires and the metrics it will use to judge whether LocatED is securing value for money in acquiring sites for free schools.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2017.

3.2 LocatED became fully operational in April 2017. It has already recruited the majority of staff it needs by offering a salary package that reflects commercial norms.

3.3 The Department will monitor the effectiveness of LocatED, including in securing value for money, against six performance indicators:

- average time from commission to exchange;
- number of acquisitions per year;
- estimated average costs per pupil;
- acquisition cost compared to Red Book Value (to ensure LocatED purchase sites which deliver strong value for money for the taxpayer);
- satisfaction ratings with the Department for Education and ESFA; and
- public and parliamentary communications functions.

3.4 Further detail on the performance indicators will be set out by December 2017 as part of LocatED's publication scheme. LocatED will report on progress against targets in its annual report and accounts covering 2017-18, which will be published in line with usual timescales. LocatED's targets and performance will be reviewed every financial year.

4: Committee of Public Accounts conclusions:
The current arrangements mean that housing developers may not be paying their fair share towards the cost of school places.

Recommendation:
The Department for Education should work with the Department for Communities and Local Government to crack down on loopholes that may allow some developers to contribute less than they should to the cost of new school places.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2017.

4.2 The Department does not recognise that there are "loopholes" in developer contributions. Nevertheless, it is aware from its work with local authorities that the Community Infrastructure Levy (CIL) is raising smaller amounts of funding than expected for infrastructure such as school places. This has been raised with the Independent CIL Review Panel whose final recommendations have been published alongside the Housing White Paper.

4.3 The Department is currently working with the Department for Communities and Local Government on the Government's response to the CIL Review – due to be published in late 2017 – with a view to ensuring that any changes to CIL and Section 106 agreements ensure appropriate developer contributions are paid that reflect the need for school places, where that need is generated by a housing development.

4.4 The Department is also working closely with key stakeholders including the Homes and Communities Agency, housing developers, local authorities and free school trusts to facilitate the delivery of developer-funded free schools. The Department holds meetings with Local Planning Authorities to build relationships and to ensure a better understanding of education infrastructure needs and funding opportunities.

4.5 The Government plans to publish its overall response to the CIL Review by December 2017.

5: Committee of Public Accounts conclusions:
The Department still does not know enough about the state of the school estate, meaning that it cannot make well-informed decisions about how best to use its limited resources.

Recommendation:
The Department should set out a plan by December 2017 for how it will fill gaps in its knowledge about the school estate in areas not covered by the property data survey. Specifically it needs to understand the prevalence, condition and management of asbestos, and know more about the general suitability and safety of school buildings.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2. The Department has developed a plan to improve its information about the school estate, building on the Property Data Survey (PDS), and is taking this plan forward.

5.3 The Department's role is to support academy trusts, local authorities and VA bodies, including church dioceses, in carrying out their responsibilities to maintain and ensure the safety and suitability of school buildings. In line with this role, the Department's Condition Data Collection (CDC) programme is expanding and improving on the work of PDS, collecting condition data from every school in England by September 2019. It will contribute to the Department's knowledge of the estate by:

- providing a current assessment of the condition of schools;
- revising the assessment of backlog maintenance cost;
- highlighting the overall change in school condition since PDS; and
- collecting data on statutory maintenance management, including in relation to asbestos.

5.4 In addition, the Department is further developing its knowledge of the school estate by using data from CDC and other school engagements to identify specific areas of weakness and provide targeted remedial advice and support to schools; building on *Managing Asbestos in your School* guidance and work carried out to assess compliance with asbestos regulations by developing an assurance mechanism to secure information about compliance from responsible bodies; and sharing insights gathered through investigation of particular condition issues with all responsible bodies

6: Committee of Public Accounts conclusions:
There is insufficient focus on routine maintenance to keep school buildings in good condition and prevent more costly problems in the future.

Recommendation:
The Department should use information, including from the property data survey, to develop a robust approach for holding local authorities and academy trusts to account for maintaining their school buildings, including how it will intervene if they are not doing so effectively. It should also assess whether schools can afford the level of maintenance necessary given the real-terms reductions in funding per pupil.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2018.

6.2 Under the national funding formula, there will be an additional £1.3 billion for schools and high needs across 2018-19 and 2019-20, on top of existing spending plans. This means that core funding for schools will rise from almost £41 billion in 2017-18 to £42.4 billion in 2018-19. In 2019-20, this will rise again to £43.5 billion. This represents an increase of £2.6 billion, and means funding per pupil will now be maintained in real terms for the remaining two years of this Spending Review.

6.3 On capital funding, the Government is providing £1.4 billion of condition funding directly to the sector in 2017-18, to enable schools, local authorities and academy trusts to carry out essential ongoing and preventive maintenance, repairs and refurbishments.

6.4 To prevent expensive maintenance issues in the future, it is essential that this funding is spent wisely. As such, the Department is developing new data sources that will enable it to monitor whether the funding provided for school maintenance and improvement is being used efficiently. Data on the condition of the school estate will be analysed with data collected on schools' actual spending on maintenance and improvement in order to understand and compare spending patterns and changes in condition. This, in turn, will allow the Department to develop better metrics and benchmarks to compare performance, enabling it to identify where and when it needs to intervene to challenge and support improvement.

6.5 The Department will report back in April 2018 on the improvements it has made to monitoring performance and holding responsible bodies to account for maintaining their school buildings.

7: Committee of Public Accounts conclusions:
The Department does not know enough about the quality and suitability of new school buildings, provided under the Priority School Building Programme and the Free Schools Programme, to demonstrate value for money.

Recommendation 7a:
The Department should report back to the Committee by the end of December 2017 on the quality and suitability of new school buildings provided under the Priority School Building Programme and Free Schools Programme, including the temporary accommodation that is being used for some free schools.

7.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2017.

7.2 The Department has already implemented steps to ensure new school buildings meet design standards and are suitable for the provision of high quality education.

7.3 The Department is focused on delivering schools under the Priority School Building Programme (PSBP) and free schools programme that support educational attainment, are simple to operate and have low ongoing running costs. The Department's design standards and specifications ensure that new buildings keep cool in summer and warm in winter, have sufficient space and are fitted with windows that are designed to maximise natural light. In delivering new buildings, the Department works closely with schools to ensure that the design is suitable for their needs. It has developed baseline designs for schools which demonstrate how standards and specifications can be met, providing a robust starting point for the design of all projects.

7.4 Standards and specifications are reviewed regularly to reflect changing requirements and lessons learnt. The current specification was published in 2013 and included considerable changes in response to issues identified using Post Occupancy Evaluation (POE). A new version, incorporating lessons learnt from school building programmes, will apply from November 2017. The ongoing POE includes both stakeholder surveys and building performance evaluation to ensure that buildings are performing as expected. As part of the overall POE strategy, the ESFA will shortly be commencing targeted end user engagement.

7.5 Free schools open in temporary accommodation either because the permanent site is not completed or has not yet been acquired. The Department evaluates the viability of any proposed temporary solution and ensures that all temporary accommodation is safe and suitable for educational purposes.

7.6 The Department will report back on the ongoing POE in the January 2018 Treasury Minute Progress Report.

Recommendation 7b:
The Department should review its criteria for new schools and consider setting tougher standards for facilities so that these schools stand the test of time. Value for money in educating children needs to be measured in a longer timescale. The fact that the Department is frequently paying over the odds for sites and at the same time building schools without the full suite of facilities concerns the Committee.

7.7 The Government disagrees with the Committee's recommendation.

7.8 The Department recognises the challenge in ensuring value for money for new schools. The Department reviewed its standards for new schools in 2017 to ensure that all facilities delivered through PSBP and the free schools programme are built to the latest standards and are designed to stand the test of time, with a 60-year or more life. In accordance with Green Book guidance, the Department considers the value for money of its school capital programmes over a long timescale, looking at costs and benefits over 60 years.

7.9 When new free schools are built, the ESFA ensures that they have access to the full set of facilities needed for their effective functioning. For instance, all schools are required to ensure that suitable outdoor space is provided in order to enable both physical education to be provided to pupils in accordance with the school curriculum and pupils to play outside safely. This can be difficult to achieve in densely populated urban areas, so the Department does not require playing fields and sports areas to necessarily be on site.

7.10 The Department believes it is possible to both secure good sites at competitive prices and deliver schools with access to the full suite of facilities. LocatED has been set up to provide the commercial and property market expertise to acquire future free schools sites more quickly and at best value for the department, without compromising on the design standards of schools built on those sites. LocatED's key performance indicators include a focus on value for money. It will help to achieve improved value for money through more negotiation time, the use of the Investment Committee gateway, less reliance on external agents and a greater range of deal options

Fifty Eighth Report of Session 2016-17

Department of Health

Local support for people with a learning disability

Introduction from the Committee

Central and local government spend £8 billion a year between them on supporting adults aged 18–64 who have a learning disability. The Department sets policy for adult learning disability services, while local authorities provide social care services and NHS England is responsible for meeting their health needs. There are an estimated 930,000 adults with a learning disability in England, 129,000 of whom receive local authority social care support.

There are approximately 2,500 people with a learning disability who are in mental health hospitals. Since 2012, following the abuse scandal at Winterbourne View, the Department committed to move people, where appropriate, out of mental health hospitals into the community. In 2015 NHS England, the Local Government Association and the Association of Directors of Adult Social Services (ADASS) launched *Building the right support,* a strategy which aims to reduce the number of beds for people with a learning disability in mental health hospitals by 35%–50% by 2019 and provide support for people to live in the community instead.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence, on 29 March 2017, from the Department of Health, NHS England, Adult Social Services, Challenging Behaviour Foundation, Mencap, and United Response. The Committee published its report on 27 April 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *Local support for people with a learning disability* - Session 2016-17 (HC 1053)
- PAC report: *Local support for people with a learning disability* - Session 2016-17 (HC 1038)

1: Committee of Public Accounts conclusion:
There is much to be done to achieve targets to reduce the number of beds in mental health hospitals for people with a learning disability.

Recommendation:
Starting in July 2017, NHS England should update the Committee annually on its progress to reduce the number of beds in mental health hospitals.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 NHS England is pleased that the progress being made in moving people into the community and reducing the number of inpatients beds has been recognised and will provide regular updates to the Committee.

1.3 In July 2017, as requested, NHS England updated the Committee on the reductions made in 2015/16 and 2016/17 in the total number of people with a learning disability and autism in a facility registered by the Care Quality Commission as a hospital providing mental or behavioral healthcare. According to the latest (May 2017) data, those numbers fell by 10% from 2,860 in March 2015 to 2,565 in March 2017. NHS England also updated the committee on the total number of bed closures of the same type in 2016/17 against the planned number of bed closures, as reported by local Transforming Care Partnerships – Partnerships reported 148 beds decommissioned against the 136 planned.

1.4. NHS England will update the Committee on performance in 2017/18 and 2018/19 in future Treasury Minutes covering this subject. The Learning Disability Programme is a three year programme and set to come to an end in March 2019.

2: Committee of Public Accounts conclusion:
Care and treatment reviews are not working as they should.

Recommendation:
NHS England should report to the Committee in six months on the effectiveness of its refreshed care and treatment policy. This report should reflect feedback from families and people with a learning disability who have had a review.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

2.2 NHS England will update the Committee on the implementation of the revised Care and Treatment Review policy in the autumn.

3: Committee of Public Accounts conclusion:
Money is not yet following the patient to pay for support in the community.

Recommendation:
NHS England should set out how its new arrangements will work in practice to move money from health to local authorities more quickly.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 As set out in *Building the right support*, which was a joint NHS England, LGA and ADASS plan, it will take time to release funds from closing hospital beds. NHS England has made available £10 million transition funding per year – matched by CCGs – over the course of the Programme.

3.3 Some of the hospital beds to close (namely adult secure beds) are commissioned by NHS England. As these beds close and NHS England reduces its spend on adult secure services for people with a learning disability or autism, NHS England is transferring the associated resource to CCGs using non-recurrent changes to NHS England (specialised) and CCG allocations. Allocation transfers are enacted monthly, and have been since the establishment of NHS England. These arrangements have been put to use to support the transformation of learning disability services since Q4 2016/17, with funding being regularly transferred to CCGs by NHS England.

3.4 CCGs can then transfer this funding, and any funds they save themselves as a result of commissioning fewer CCG-funded hospital beds, to local authorities to support joint commissioning of services for those discharged. This can be effected through a pooled budget between the CCG and local authority (under Section 75 of the National Health Services Act 2006) or a funds transfer from the CCG to the local authority (under Section 256 of the same act).

3.5 CCGs will not transfer to local government all of the funds that the NHS saves as a result of hospital closures, as CCGs will themselves need to invest more in community health services (such as crisis response teams), and many of the individual packages of care commissioned for people discharged from hospital will be partly or wholly NHS-funded.

3.6 The precise funds to be transferred will therefore vary from local area to local area, but the national mechanisms for shifting resource across the health and social care system are in place. NHS England has published a detailed set of 'frequently asked questions' about finance and transforming care for people with a learning disability or autism, and this is updated on a rolling basis.

3.7 Transforming Care Partnerships are starting to use these mechanisms to move funds across the system. The Department will ensure that they put them in place in line with the profile of patient discharges, such that where funding needs to flow from one organization to another the relevant mechanisms are in place.

4: Committee of Public Accounts conclusion:
Proposed changes to the local housing allowance pose a real risk to the key aim of the Transforming Care programme to move people into community based care.

Recommendation:
The Committee looks to the Department to keep its commitment to act as a champion within Whitehall for people with a learning disability, and secure the right outcome for them on the issue of supported housing. It should work urgently with the Department for Communities and Local Government to resolve the matter by the end of July 2017.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

4.2. The Department is keen to act as a cross-Government champion for people with a learning disability, ensuring that their health allows them to live fulfilling lives, and ensuring that the policies of other Government Departments relating to other areas of daily life, such as housing and employment, are fully supported by health and care policy, and are responsive to the full range of needs of people with learning disability.

4.3 The consultation on funding for supported housing is being led by the Department for Work and Pensions (DWP) and the Department for Communities and Local Government (DCLG), and the Department has made representations across Government to highlight the potential health and care impacts of the changes. The Department will continue to play an active role in influencing the proposals.

4.4. The Department expects these issues to be resolved by Autumn 2017, when DWP and DCLG will set out details on the future funding model which will include people living with a learning disability.

5: Committee of Public Accounts conclusion:
People with a learning disability and their families are not adequately supported to be advocates for their care.

Recommendation:
NHS England should set out how it will ensure that patients and families are supported to advocate for themselves or have access to effective advocacy.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 The Care Act, Mental Capacity Act and Mental Health Act set out when people are eligible for statutory advocacy. Above and beyond these statutory duties, NHS England, the LGA and ADASS are supporting local areas to ensure patients and families have access to advocacy.

5.3 NHS England, LGA and ADASS have published joint guidance to local commissioners[13] which sets out that people with a learning disability or autism who display behaviors that challenge should be offered non-statutory advocacy, as should families/carers when necessary.

5.4 NHS England monitors the uptake of advocacy by patients in hospital. Of the 2,520 people currently in specialist mental health hospitals at the end of February 2017, 2,175 (or 86%) accessed advocacy.[14] In many cases, patients access more than one type of advocacy, such that of these 2,175 patients:

- 790 (36%) were supported by a family member;
- 710 (33%) were supported an independent person;
- 430 (20%) were supported by an Independent Mental Capacity Advocate;
- 1,470 (67%) were supported by an Independent Mental Health Advocate;

[13] https://www.england.nhs.uk/wp-content/uploads/2015/10/service-model-291015.pdf
[14] http://content.digital.nhs.uk/assuringtransformation

- 430 (20%) were supported by a non-instructed advocate.

5.5 NHS England has a programme of work to encourage the uptake of effective advocacy, which includes training for commissioners, spreading best practice, and national investment in advocacy around individual closure programmes where necessary.

6: Committee of Public Accounts conclusion:
People with a learning disability who live in the community have patchy access to health care and limited opportunities to participate in the community, for example, by having a job.

Recommendation:
The Department should set out a cross-government strategy for improving access to health care and opportunities to participate in the community, including employment, as well as how it will measure the effectiveness of this strategy.

6.1 The Government disagrees with the Committee's recommendation.

6.2 The Department recognises the need for action across Government to support people with learning disabilities, and is working to ensure that this is well coordinated. However, the Department considers that a new formal written strategy – particularly in the light of existing policies such as *Building the Right Support*, is not necessarily the best way to achieve this. A written strategy risks redundancy, and is less important than ensuring that different Departments and agencies continue to work together, and that cross-cutting objectives at Departmental and Government level are clearly articulated.

6.3 The Department already works closely with other Government departments on specific areas: for example, with the Department for Work and Pensions on improving employment rates for people with a learning disability, and the Department for Education on services for children and young people. Developing a formal cross-Government strategy would not necessarily enhance the work of individual departments in their work.

6.4 The Department will convene a round-table in autumn 2017 chaired by Chris Wormald with the Permanent Secretaries of Government Departments which have a role to play in relation to people with learning disability. A cross-Government discussion at this level on learning disability will provide a valuable opportunity for considering the strategic relationships between different policies, and to establish a consensus on the Department's approach and role in providing leadership. It will consider how best to articulate cross-cutting Government objectives in respect of learning disability.

Fifty Ninth Report of Session 2016-17

Department for Culture, Media and Sport

BBC Licence Fee

Introduction from the Committee

Everyone in the UK who watches or records television programmes as they are broadcast, as well as anyone watching or downloading BBC content on iPlayer, must be covered by a valid TV licence. In June 2016, there were just over 26 million licensed premises, and the TV licence fee represented £3.74 billion (78%) of the BBC's overall £4.83 billion income in 2015–16. The Secretary of State for Culture, Media and Sport sets the level of the TV licence fee, as well as any concessions and the payment plans through which the licence fee can be paid. In 2010, the government froze the annual cost of a colour TV licence at £145.50. The licence fee remained at this level until April 2017, when it rose to £147. The BBC is responsible for issuing TV licences and collecting the licence fee. It holds contracts with a range providers who support the collection of the licence fee, the largest of which are with Capita and Proximity. The BBC paid Capita £59 million in 2015–16.

On the basis of a report by the National Audit Office, the Committee took evidence, on 27 March 2017, from the BBC and Capita. The Committee published its report on 26 April 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *TV Licence Fee collection*
- PAC report: *BBC Licence Fee* – Session 2016-17 (HC 1037)

Committee of Public Accounts conclusions:

1: ***The BBC has collected more TV licence fee revenue every year since 2010–11 while continuing to reduce collection costs, but licence fee evasion is not decreasing as planned with the BBC losing out on at least £250 million a year.***
2: ***Capita's approach to enforcement has resulted in fewer evaders being caught.***
5: ***The BBC plans to ask people aged 75 and over for voluntary donations; the voluntary nature of this request will require exceptionally careful communication.***
6: ***The BBC has for many years known that its existing TV licence database needs to be replaced but, having abandoned its most recent upgrade, it still does not know what will replace it or when.***

Recommendations:

1: ***The BBC should re-assess what is an appropriate evasion target, reporting back to the Committee about this by October 2017, and about how it intends to reduce licence fee evasion.***

2: ***Having recently extended its contract with Capita, the BBC urgently needs to ensure that the company improves its performance on enforcement visits, sorting out its recruitment and retention problems, and examining more routinely the appropriateness of officers' conduct.***

5: ***If the BBC decides to press ahead with its plans to accept voluntary payments from those aged 75 and over, it should develop a careful communications approach, and pilot it thoroughly before full implementation.***

6: The BBC should urgently establish fresh plans to update its ICT systems and, as soon as possible, provide the Committee with a clear timetable, accompanied by estimates of the costs and benefits it expects from these improvements.

1.1 The BBC will respond to the Committee separately on recommendations 1-2 and 5-6.

3: Committee of Public Accounts conclusion:
The current collection and enforcement approach has led to more women than men being caught and prosecuted for TV licence fee evasion.

Recommendation:
The BBC should act on the review it is carrying out jointly with DDCMS into gender disparity in TV licence enforcement, and update the Committee within three months of that review concluding with full details, including a timetable for the changes it plans to make.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2018.

3.2 The Department continues to work with the BBC as the review concludes and will take forward its recommendations as appropriate. The Department is also working with the Ministry of Justice (MOJ) to ensure that the gender disparity in TV licence enforcement is considered in the context of the MOJ's forthcoming female offender strategy. The Department expects the BBC to update the Committee with full details and an implementation timetable in due course.

4: Committee of Public Accounts conclusions:
There is no clear justification for charging licence fee payers more to pay by quarterly direct debit.

Recommendation:
The Department for Digital, Culture, Media and Sport should review additional charges for quarterly direct debit payments. In the meantime, the BBC should more actively communicate the range of payment options to customers, particularly when trials of more flexible payment plans are complete.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2018.

4.2 The £5 premium charge for quarterly direct debit payments was introduced in 1989 and has remained at the same level since that time. The Department is considering the case for retaining the premium charge in its current form and any necessary changes. As part of this, the Department has asked the BBC to provide a business case for retaining the premium charge. The Department will provide a further update once its review has concluded. The Department has also asked the BBC to ensure that the range of payment options (including the premium charge for quarterly direct debit) is effectively communicated to customers.

Sixtieth Report of Session 2016-17

Department of Health and Department for Communities and Local Government

Integration of Health and Social Care

Introduction from the Committee

The Department of Health is responsible for health and adult social care policy in England. The Department for Communities and Local Government has responsibility for the local government finance and accountability system. NHS England is responsible for supporting clinical commissioning groups and for the commissioning of NHS services overall. Rising demand for care services and the demographics of an aging population are putting pressure on the capacity of local health and social care systems. One way that the two departments and NHS England are trying to meet such pressure is through integrating health and social care services. Integration aims to overcome boundaries between the health and social care sectors, placing patients at the centre of the design and delivery of their care with the aim of improving patient outcomes, satisfaction and value for money.

Integration of health and social care services offers the prospect of improving both patient outcomes and value for money for the taxpayer. Two years ago, the Committee expressed serious doubt that the Government's latest integration initiative, the Better Care Fund, would save money, reduce emergency admissions to hospitals and reduce the number of days people remain stuck in hospital unnecessarily. Since then the Fund has failed to achieve any of these objectives and the witnesses displayed an appallingly casual attitude to the targets that had been set for reducing emergency admissions and delayed transfers of care, both of which have actually increased. In practice, the Fund was little more than a complicated ruse to transfer money from health to local government to paper over the funding pressures on adult social care.

Integration must now be delivered in the context of the sustainability and transformation planning process. Place-based planning will be critical to the future of health and social care. However, to succeed, the NHS must find better ways to engage more genuinely with local government and local populations.

On the basis of a report by the National Audit Office, the Committee took evidence, on 27 February 2017, from the Department of Health, NHS England and Department for Communities and Local Government about the progress of the Integration of Health and Social Care. The Committee published its report on 27 April 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *Health and social care integration* - Session 2016-17 (HC 1011)
- PAC report: *Financial sustainability of the NHS* - Session 2016-17 (HC 887)
- PAC report: *Integration of Health and Social Care* - Session 2016-17 (HC 959)

1: Committee of Public Accounts conclusion:
The Departments do not know what is the most effective balance of limited funding across health and social care.

Recommendation:
The Committee reiterates the recommendation from its February 2017 report* Financial sustainability of the NHS *that the Department and NHS England should assess the impact that financial pressure in social care is having on the NHS, so that it can better understand the nature of the problem and how it can be managed. It should publish the findings of its analysis by July 2017.

1.1 The Government disagrees with the Committee's recommendation.

1.2 However, the Government and NHS England note the Committee's viewpoint and understand the importance of strong and effective social care and its benefits to the NHS. This includes supporting people in their communities, avoiding unnecessary hospital admissions and getting people back to their homes after a hospital stay as safely and quickly as possible. The Better Care Fund (BCF) was introduced to make best use of the funds available across health and social care in order to deliver

integrated services.

1.3 Spending Review 2015 and Spring Budget 2017 made available, from April 2017, further social care funding for local government - distributed through the Improved Better Care Fund (IBCF) grant. The £2 billion announced at Spring Budget 2017 means that this funding will total nearly £4.5 billion over the next three years. The Government also introduced a social care precept that gives local authorities flexibility to raise further funds if they so choose.

1.4 The Government has attached a set of conditions to the IBCF grant, to ensure it is included in the BCF at local level and will be spent on adult social care. It may only be used for the purposes of meeting adult social care needs; reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready; and ensuring that the local social care provider market is supported.

1.5 Government will be monitoring the impact of this additional funding. In the longer term, the Government will work with partners at all levels, including those who use services and who work to provide care, to bring forward proposals for public consultation. The Government will consult on options to encourage a wider debate. The consultation will set out options to improve the social care system and to put it on a more secure financial footing, supporting people, families and communities to prepare for old age, and address issues related to the quality of care and variation in practice.

2-3: Committee of Public Accounts conclusions:

2: The Better Care Fund was little more than a ruse to move money from the health sector to social care, disguised within an overly bureaucratic initiative that purported to integrate health and social care services.

3: The Better Care Fund has been rendered largely redundant as a means of building integration by the sustainability and transformation planning process.

Recommendations 2-3:

The Departments and NHS England should reassess whether the Fund in its current form is still necessary and should identify what has worked well so this can be brought into sustainability and transformation planning.

2.1 The Government agrees with the Committee's recommendations.

Target implementation date: Autumn 2017.

2.2 The Government disagrees with the Committee's conclusions relating to the Better Care Fund (BCF). The BCF required local areas to pool budgets, helping to join-up health and care services so that people can manage their own health and wellbeing and live independently in their communities for as long as possible. The Fund has also incentivised local areas to work together better. For example, in 2015-16, 9 out of 10 areas agreed that it had improved joint-working and integration locally, whilst performance against two of the national metrics improved. In both 2015-16 and 2016-17, local areas voluntarily pooled more than the minimum required taking the total to £5.3 billion and £5.9 billion respectively.

2.3 A Quality and Outcomes of Person-centred Care Policy Research Unit (QORU) system-level evaluation of the BCF is underway, with interim findings to be published shortly. The final report will be ready in winter 2017-18, and will provide valuable learning on what has worked well.

2.4 The *Integration and Better Care Fund Policy Framework 2017-19*[15], published in March 2017, set out that areas will be allowed to 'graduate' within the BCF once they have demonstrated that they have moved beyond the requirements of BCF reporting and are exemplars of integration. Graduation would mean more autonomy for these areas including reduced planning and reporting requirements. The intention is to pilot the graduation process with a small number of advanced areas (6 to 10) in a 'first wave', to develop the criteria for future graduating areas. There is flexibility for graduation to be at a Sustainability and Transformation Partnership level.

[15] https://www.gov.uk/government/publications/integration-and-better-care-fund-policy-framework-2017-to-2019

4: Committee of Public Accounts conclusion:
The Committee is unconvinced that sustainability and transformation planning will succeed where the Better Care Fund has failed in building successful integrated services.

Recommendation:
The Departments and NHS England should set out criteria for measuring success of integration by July 2017. They must set realistic targets for initiatives that aim to integrate services, within a credible timeframe for achieving them by July 2017.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

4.2 The Government disagrees with the Committee's conclusion that the Better Care Fund has failed in building successfully integrated services. However, the Government agrees that further progress needs to be made, to support successful integration – for instance, on data sharing, workforce planning and financial mechanisms to incentivise integrated working – and work is underway on these issues.

4.2 The Department of Health and the Department for Communities and Local Government are seeking rapidly to develop integration metrics for assessing progress. In the short term, metrics relating to the new money for social care announced at Spring Budget 2017 have been developed, focused on patient flow at the interface of health and social care, particularly Delayed Transfers of Care. These metrics, published in July 2017, will also form part of a wider integration scorecard combining outcomes, user experience, and process measures, building on work already carried out on the Government's behalf by the Social Care Institute for Excellence[16].

4.3 The need to integrate services more closely around the needs of patients was also highlighted in both NHS Operational Planning and the Five Year Forward View Delivery Plan. Both made it clear that the future of the NHS is through the development of local partnerships and integration of services across both health and social care.

4.4 Sustainability and Transformation Partnerships (STPs) are a means to deliver this. Integration is a key element of STPs, and all local plans contained proposals to integrate services more closely around the needs of patients. As STPs develop, the expectation is that levels of integration and joint working between organisations within the local health and care economy will continue to improve. Metrics at STP level were published in July 2017. These align with NHS Improvement's Single Oversight Framework for NHS provider trusts and NHS England's annual CCG Improvement and Assessment Framework, published in July 2017.

5: Committee of Public Accounts conclusion:
Sustainability and transformation planning is neither inclusive nor transparent enough.

Recommendation:
By May 2017, NHS England and the Local Government Association should encourage and support the full involvement of local government in the sustainability and transformation planning process. Working with their local authority partners, local health bodies should improve the involvement of local populations in the planning process.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 Sustainability and Transformation Partnerships (STPs) are not new statutory organisations, but a way for NHS organisations to work together in partnership with local government and others. Their establishment brought longstanding issues to the forefront of the public debate regarding the delivery of health and social care, but it did not cause those issues.

5.3 The Government recognises that local authorities have a unique position as the democratically

[16] www.scie.org.uk/integrated-health-social-care/integration-2020/research

elected leaders of an area. Together with their role as commissioners of social care, and their housing responsibilities, this makes them crucial partners of the NHS. Relationships between the local NHS and local councils are all progressing at different stages but NHS England and NHS Improvement are taking action to ensure that STPs are a genuine partnership between clinical, professional and local leaders.

5.4 NHS England published national advice in September 2016 on high-quality engagement, which sets out how to put communities at the heart of each STP's work. In March 2017, NHS England published Next Steps on the Five Year Forward View, a delivery plan with a clear process for community participation and involvement in the formation and implementation of STPs.

6: Committee of Public Accounts conclusion:
It is deeply unsatisfactory that the Departments and NHS England washed their hands of any accountability for the Better Care Fund.

Recommendation:
The Departments, NHS England and the Local Government Association must take responsibility for the performance of their programmes, including the Better Care Fund while it continues. The Committee expects greater accountability and more realistic objectives, which the Departments and partners will stand by.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 The Departments, and NHS England disagree with the Committee's conclusion that they have "*washed their hands of any accountability*" for the Better Care Fund (BCF). Indeed, they take responsibility seriously, taking full accountability for all relevant programmes (including those inherited), such as the BCF.

6.3 The Government agrees that Accounting Officers are accountable for on-going and historic programmes. Government sets the policy framework within which NHS England and local government operate and national partners are responsible for delivery. Both Departments seek to evolve and improve policy initiatives such as the BCF based on evidence of how they are working in practice. The response to recommendation 4 above sets out the work already in train, which started prior to the committee hearing, to develop more targeted measures of success. As the Fund has been in existence for two years, it will be possible to develop a greater understanding of its impact. This learning will help in setting objectives and expectations for the future.

6.4 Overall delivery responsibility rests with national partners, and for it to work, integration initiatives such as the BCF aim to avoid taking a top-down approach. Commissioners at a local level will be best placed to decide how to use the Fund to benefit their population. In 2016-17, the planning and assurance process was streamlined and changed from a centrally driven process to a regional one. This promotes local leadership and ownership and reduces the burden of bureaucracy on local areas.

6.5 The Integration Partnership Board initiated an internal review of governance over the summer to ensure that there is a holistic view of the various integration initiatives including: New Care Models, Sustainability and Transformation Partnerships, and the BCF. The review has now completed and national partners are currently working through the best way to implement any changes required.

Sixty First Report of Session 2016-17

Department of Health

Access to General Practice: progress review

Introduction from the Committee

General practitioners (GPs) work with nurses and other staff to treat and advise on a range of illnesses, manage patients' conditions in the community and refer patients to hospital treatment or social care where appropriate. Most of the contact that people have with the NHS is with their general practice, and this is the first step for most patients in diagnosing and treating health conditions. There are around 42,000 doctors employed in some 7,600 general practices in England. In 2015–16, £9.5 billion was spent on general practice, once the costs of out-of-hours services and dispensing drugs are included.

The Department is ultimately accountable for securing value for money from spending on general practice. Until April 2015, NHS England commissioned general practice services directly, but it is now delegating more responsibility to local clinical commissioning groups, with 88% (194 of 209) now having a greater role. Practices are typically owned and managed by an individual GP or group of GPs. Core general practice services are commissioned through contracts with GP practices, with most practices holding either a General Medical Services (GMS) contract (64% of practices) or a Personal Medical Services (PMS) contract (32% of practices). The contract stipulates core services that practices must provide, and core hours when patients should be able to access services. The Department and NHS England have a number of key objectives relating to access to general practice, including evening and weekend access for all patients by 2020 and 5,000 additional doctors in general practice by 2020.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence, on 9 March 2017, from the Department of Health, NHS England, and Health Education England. The Committee published its report on 27 April 2017. This is the Government response to the Committee's report.

Background resources

- NAO Report: *Improving patient access to general practice* - Session 2016-17 (HC 913)
- PAC Report: *Access to General Practice: progress review* - Session 2016-17 (HC 892)

Committee of Public Accounts conclusions:
1: *Many GP services are closed to patients at times during supposedly core hours, leading to worse outcomes for patients.*
2: *Despite being introduced in 2004, the main GP contract does not clearly set out what patients should reasonably expect from their practice during core hours.*

Recommendation 1:
NHS England should report back to the Committee by September 2017 on how it has ensured that practice opening hours are reasonable.

Recommendation 2:
NHS England should report back to the Committee by March 2018 on what practices should provide to patients during core hours, and how it will ensure that commissioners are using this definition in managing contracts.

1.1 The Government agrees with the Committee's recommendations.

Target implementation date: Autumn 2017.

1.2 NHS England is developing a more specific definition of what services patients at all practices can expect during core hours to meet the reasonable needs of patients. NHS England will test this definition with patient groups and representatives before publishing guidance for commissioners by October 2017. In addition, NHS England has also agreed with the General Practitioners Committee of the British Medical Association a new contractual requirement. This sets out that, from October 2017,

practices that are closed for half a day or more a week on a regular basis will not be eligible to apply for funding under the extended access scheme.

1.3 Commissioners will be expected to prioritise their efforts through supporting and addressing those practices that are currently closed for the longest periods first. Guidance for commissioners will include the arrangements for reporting on the application of this policy so that NHS England can be assured of its delivery.

3: Committee of Public Accounts conclusion:
NHS England still does not have the information it needs on the availability of appointments during core hours to help it understand when patients can see a professional and where it needs to seek improvements.

Recommendation:
NHS England should set out how it will collect data on the availability of, and waiting times for, appointments during core hours at each practice, and when it plans to publish these data.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2018.

3.2 Most practices offer the capability for patients with urgent needs to be seen on the same day or very soon after. This is borne out by the GP Patient Survey data, which shows that three quarters (74.5%) of patients who wanted to see a doctor or nurse on the same day got an appointment the same or following day. However, NHS England wants to have more information on the availability of GP appointments and be able to describe the provision of, and demand for, general practice to the public more effectively.

3.3 NHS England already publishes data about patient experience of making an appointment in individual practices. During 2017-18, NHS England will go further and practice profiles will be published, including patient survey results and ease of making an appointment. This commitment was set out in NHS England's *Next Steps on the Five Year Forward View*.

3.4 This work will be supported by NHS Digital who will begin collecting data on the availability and utilisation of general practice appointments at each general practice. NHS Digital plan to commence this data collection in summer / autumn 2017 with the outcome of this collection expected to be reviewed with practices later this year. As a new data collection, and recognising the variation in practice use of general practice systems, NHS England recognises work will be needed to ensure data is of sufficient quality to be meaningful to the population. Early indications suggest that considerable work will be needed to ensure standardisation of these data sets, and a publication date will be set once the extent of the work required to make this data fit for purpose is known.

4: Committee of Public Accounts conclusion:
There is a risk that new extended hours arrangements could prove expensive and duplicate existing out-of-hours services.

Recommendation:
NHS England should report back to the Committee by March 2018 on how it is ensuring that clinical commissioning groups are delivering the wider benefits intended from extended hours funding and minimising any duplication of funding.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2018.

4.2 The *NHS Operational Planning and Contracting Guidance 2017-19* set out the new funding available, trajectory and national core requirements clinical commissioning groups should meet in delivering improved and extended access including on evenings and weekends to general practice services.

4.3 NHS England has made it clear that the additional funding provided is intended to support the

wider transformation of general practice, to be deployed to deliver improvements beyond improving access alone, linked with the action to develop general practice at scale as part of a wider set of integrated services.

4.4 One of the national core requirements for clinical commissioning groups is to make effective connections to other system services enabling patients to receive the right care from the right professional. This will result in a patient offer which is greatly enhanced, with more face to face appointments, greater use of technology, a wider range of services and workforce, and greater enablement of self-care.

4.5 The approach, led by clinical commissioning groups, is intended to reduce the risk of unnecessary duplication of services in the out of hours period and improve value for money. The Department of Health and NHS England want to ensure that there is a clear line of accountability through clinical commissioning groups. This is why clinical commissioning groups hold the ring and will plan new general practice services alongside the deployment of new integrated urgent care systems, as well as tailoring services to meet local demand and address any inequalities in access. This approach incentivises clinical commissioning groups to drive value for money, ensuring it aligns and integrates access to routine and urgent services including NHS 111.

4.6 Delivery of extended access, and the associated wider benefits, will be closely monitored at a local and regional level through General Practice Forward View delivery plans.

5: Committee of Public Accounts conclusion:
Since our previous report a year ago there has been no progress on increasing the number of GPs

Recommendation:
NHS England and Health Education England should keep the Committee updated on progress against the targets to increase the number of GPs, including in rural and historically hard-to-recruit areas, as set out in the GP Forward View.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2020.

5.2 Contrary to the conclusion of the Committee, the Department is making good progress in increasing the number of GPs. In 2016, HEE increased the number of GP trainees recruited onto the specialist training programme from 2700 to 3019, against a target of 3250. HEE runs three rounds of GP speciality training recruitment per year. The recruitment figures, published in April 2017, show that 2399 doctors have been accepted on to the first round of GP speciality training, 117 more than at the same stage in 2016.

5.3 Further recruitment is underway for posts starting in August 2017. The targeted enhanced recruitment scheme offers salary supplements to GP trainees committed to working in a select number of training places in England that have been hard to recruit to for the past three years. In 2016, this filled 105 of the 122 places available, with the scheme being repeated in 2017 and offering 144 places.

5.4 In March 2017, a major return to practice campaign aimed at attracting GPs back into practice was launched. Alongside continued improvements to the Induction and Refresher (I&R) scheme – the route for qualified GPs to join or return to NHS general practice in England – this aims to attract 500 GPs back into the workforce. Since the improved national I&R scheme was launched, 370 GPs have joined the scheme.

5.5 In August 2017, NHS England set out its plan[17], working with Health Education England, the General Medical Council, the Royal College of GPs, the British Medical Association, Local Medical Committees, NHS Employers and the Department of Health to scale up targeted international recruitment to recruit, in total, an extra 2,000 international doctors into general practice over the next three years.

[17] https://www.england.nhs.uk/publication/expansion-of-the-gp-international-recruitment-programme/

5.6 This plan includes rapidly expanding the current international recruitment programme of European Economic Area (EEA) doctors. One of the key criteria for the international recruitment schemes will be a focus on areas that have the most acute issues with GP recruitment.

6: Committee of Public Accounts conclusion:
There remains too much reliance on patients seeing GPs, rather than nurses, mental health professionals and other staff

Recommendation:
NHS England, working with Health Education England, should explore how it can encourage GP practices to employ a wider mix of staff to improve access and capacity in an effective and efficient manner. This should include spreading examples of good practice.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2020.

6.2 NHS England and Health Education England (HEE) are working together on initiatives to deliver a minimum of 5000 non-GP staff working in general practice by 2020.

6.3. Significant progress has been made on the commitment of 1500 additional clinical pharmacists in general practice by 2020. In the first wave of recruitment towards this target, NHS England announced in April 2017 that it had approved applications for funding towards 218 clinical pharmacists to work in general practice, with another wave of applications now under review and expected to be announced in July 2017. Further waves of applications will continue through to 2019 to allow all practices in England the opportunity to benefit from funding towards a clinical pharmacist. This is in addition to the 491 pharmacists that were recruited through the pilot scheme implemented in 2015/16.

6.4 NHS England has committed £15 million to general practice nurse development. A plan will be published later in 2017, which will set out actions to improve training and placement capacity in general practice and measures to improve retention and support for return to work.

Sixty Second Report of Session 2016–17

Department of Health

NHS ambulance services

Introduction from the Committee

In England, 10 regionally-based ambulance trusts provide urgent and emergency healthcare, with separate arrangements for the Isle of Wight. In 2015–16, these services cost £1.78 billion. Ambulance services received 9.4 million urgent or emergency care calls and 1.3 million transfers from NHS 111, which together resulted in 6.6 million face-to-face attendances in 2015–16.

Since July 2012, ambulance responses have been split into Red and Green calls. Red calls are calls where the patient's condition is considered to be life-threatening. Red 1 calls are the most time-critical, and cover patients suffering cardiac arrest, who are not breathing and do not have a pulse, and other severe conditions such as airway obstruction. Red 2 calls are serious but less immediately time-critical, and cover conditions such as stroke and heart attack. For Red 1 and Red 2 calls, the ambulance service has a target requiring an emergency response arriving at the scene within 8 minutes in 75% of cases. If onward transport is required, a vehicle capable of conveying the patient should arrive at the scene within 19 minutes in 95% of cases. Green calls are calls where the patient's condition is considered not to be life-threatening. Locally agreed targets are in place for these calls.

The ambulance service has a pivotal role to play in the performance of the entire urgent and emergency care system, as a conduit to other services and helping patients access the facilities they need close to home. For ambulances, this means applying new models of care rather than taking all patients to hospital. The new models of care include: resolving calls over the phone by providing advice to callers; treating patients at the scene; and taking patients to non-hospital destinations.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence, on 9 March 2017, from the Department of Health, NHS England, NHS Improvement, and Yorkshire Ambulance Service NHS Trust. The Committee published its report on 27 April 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *NHS ambulance services* – Session 2016-17 (HC 972)
- PAC report: *NHS ambulance services* – Session 2016-17 (HC 1035)

1: Committee of Public Accounts conclusion:

Ambulance trusts have organised themselves to meet response-time targets, at the expense of providing the most appropriate response for patients.

Recommendation:

The Department, NHS England, NHS Improvement and ambulance trusts should implement the recommendations of the Ambulance Response Programme at pace. Any changes to the response-time target system should address 'tail breaches' (very long delays) and the lack of focus on Green calls.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

1.2 The Ambulance Response Programme aims to change the way ambulance services operate in England to release efficiencies and provide a more clinically focused response to all 999 calls. The programme improves ambulance service efficiency and stability through a new system of call handling and prioritisation, reducing long waits and improving the speed of response in rural areas. A new set of response time standards, combined with the measurement of clinical outcomes for serious conditions, will ensure that the service remains responsive, effective and accountable. Responses to lower acuity 'Green' calls will be nationally monitored with the new standards.

1.3 Following the Sheffield University evaluation of the programme, the Secretary of State for Health accepted NHS England's recommendations for change on 13 July 2017. Ambulance services in England will implement these changes prior to winter 2017. The report and recommendations are available in the House Library.

2: Committee of Public Accounts conclusion:
Despite this Committee identifying significant variations in ambulance service performance and efficiency in 2011, the causes of these variations are still not well understood.

Recommendation:
NHS Improvement should determine the underlying causes of variations in performance, identify an optimal operating framework for ambulance services and work with NHS England to incorporate this framework into commissioning arrangements for 2018–19. The new framework and commissioning arrangements should establish commonality, but allow flexibility where appropriate.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2019.

2.2 NHS Improvement is developing an optimal core operating framework for ambulance trusts. Subject to NHS England approval, this will be available for implementation as far as is possible during the current commissioning cycle. Current commissioning arrangements are contractually in force until the end of 2018-19, after which the new model will be integrated into contracts. It is intended that the new model will establish common settings, and allow for local flexibility where it is warranted.

3: Committee of Public Accounts conclusion:
Various ambulance service improvement programmes are now underway, but this has taken too long to happen.

Recommendation:
The Department of Health, NHS England and NHS Improvement should set out a trajectory with clear milestones for all its modernisation programmes that focus on ambulance services, by October 2017. As part of these programmes, they should ensure consistent and reliable data sets for key performance measures are available, including clinical outcomes, new models of care, efficiency metrics, and patient-transfer times at hospital.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

3.2 The Ambulance Improvement Programme encompasses the range of ambulance programme work, and employs a programme management methodology to ensure there are effective measures for performance managing each of its work-streams. Each work-stream has a set of clear deliverables and milestones, and progress against these outcomes is monitored monthly.

3.3 In parallel with the implementation of the Ambulance Response Programme recommendations, to ensure the effective monitoring and performance management of ambulance trusts a refreshed set of Ambulance Quality Indicators will be introduced, which will include data on the degree to which new models of care have been adopted, alongside refreshed Clinical Quality Indicators which will include data on a wider range of clinical outcomes.

3.4 NHS Improvement is also leading work on new ambulance operational productivity and efficiency metrics. An initial suite of metrics will be designed and implemented by autumn 2017.

3.5 The Government remains committed to the publication of hospital handover delay data, and work is underway to determine the most effective mechanism to achieve this in line with wider changes to performance reporting structures.

4: Committee of Public Accounts conclusions:
To deliver new ways of working, ambulance services will need a different mix of skills and vehicles. They will also need to work with their commissioners to fund a paramedic pay increase from 2018–19. It is not clear how the costs associated with these changes will be funded.

Recommendation:
NHS England and NHS Improvement should assess whether sufficient resources are available to ambulance trusts to support new ways of working including capital expenditure. They should also provide additional assurances to the Department regarding how increased paramedic costs will be met from 2018–19 onwards if the provision of central funding to cover these costs does not continue after 2017–18.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2017.

4.2 In 2016 NHS England and the Department of Health agreed to provide additional funding for ambulance services to meet the increased paramedic costs in 2017-18 and 2018-19. This is contingent on the implementation of the necessary delivery changes within ambulance services to realise the consistent national application of new models of care. The approach for subsequent years will be confirmed in advance of the planning round for 2019-20.

4.3 The implementation of recommendations from the Ambulance Response Programme and the Ambulance Improvement Programme are expected to achieve financial efficiencies, however these efficiencies are likely to be realised elsewhere in the system, for instance due to safe reduction in conveyance to emergency departments. To identify the efficiencies released as part of the Ambulance Response Programme and Urgent and Emergency Care Review, NHS England is refreshing the modelling of costs and savings made as part of these programmes of work by the end of 2017.

5: Committee of Public Accounts conclusions:
Ambulance services have struggled to recruit and retain staff, and staff shortages are exacerbated by many trusts having high sickness absence rates.

Recommendation:
NHS England and NHS Improvement should set out their plans for tackling ambulance workforce issues and report back to the Committee on progress by April 2018; including progress against recruiting additional staff, reducing staff turnover rates, and reducing staff sickness absence rates.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2018.

5.2 The workforce development work-stream of the Ambulance Improvement Programme has developed a programme of work to address issues of workforce demand and supply; workforce development in support of the new models of care; implementation of the paramedic re-banding; staff morale, engagement and sickness absence; and leadership development, talent management and succession planning.

5.3 Progress against each of the indicators identified by the work-stream is being tracked so that progress can be reported to the Committee by April 2018.

6: Committee of Public Accounts conclusions:
Many patients are waiting too long to be transferred from an ambulance to hospital care, and this situation has got worse since we last reported.

Recommendation:
NHS Improvement should publish a set of improvement trajectories for hospital turnaround times and introduce transparent reporting on progress by October 2017.

6.1 The Government disagrees with the Committee's recommendation.

6.2 NHS England and NHS Improvement are working to support the system to deliver improved performance across urgent and emergency care settings. The performance of NHS trusts is routinely monitored and issues of poor performance raised with individual organisations. This includes putting in place best practice to significantly reduce ambulance handover delays.

6.3 The Government fully recognises the importance of improving handover performance, and does remain committed to the publication of hospital handover delay data. Work is underway to determine the most effective mechanism to achieve this in line with wider changes to performance reporting structures.

6.4 Achieving reductions in ambulance handover delays is linked closely to improvements in Accident and Emergency performance, which is already subject to a national improvement trajectory. Furthermore, a consistent message from NHS trusts is that the large volume of assurance and trajectories placed upon them by national bodies detracts from their ability to make necessary operational changes to improve performance. In light of these two issues, it is not proposed that specific trajectories for ambulance handover delay reduction are put in place.

7: Committee of Public Accounts conclusions:

Ambulance services are pivotal to the wider health system but it is not clear how they will be incorporated into local Sustainability and Transformation Plans or become fully integrated into the wider health system.

Recommendation:

As part of their planned commissioning guidance for 2018–19, NHS England should provide greater clarity on how ambulance services will have a seat at the table in local Sustainability and Transformation Plans, and how they will become fully integrated into the wider health system.

7.1 The Government disagrees with the Committee's recommendation.

7.2 Ambulance services are integral parts of the wider health system, and the Government agrees with the spirit of the recommendation. However, NHS England commissioning guidance for 2017-19 has already been published.

7.3 NHS England's *Next Steps on the Five Year Forward View* notes that the NHS model of care is changing to incorporate greater use of ambulance services as community providers of urgent and emergency care, supporting patients through avoiding unnecessary conveyance to hospital emergency departments. NHS England is supporting commissioners and providers to work together to achieve this within their Sustainability and Transformation Plan areas.

7.4 NHS England's *Commissioning for Quality and Innovation Guidance 2017-19* incentivises ambulance services and commissioners to prioritise effective engagement and delivery through local Sustainability and Transformation Plans to achieve safe conveyance reduction, enabling commissioners to provide additional funding to ambulance services that reduce conveyance rates through working with local urgent and emergency care partners. NHS England's *Clinical Commissioning Group Improvement and Assessment Framework* also places responsibility on commissioners to lead engagement and cooperation between local providers to help achieve this. The framework has been designed to supply indicators for adoption in Sustainability and Transformation Plans as markers of success, and forms part of the annual performance assessment of Clinical Commissioning Groups.

7.5 Additionally, the *Commissioning for Quality and Innovation scheme for 2017-19* also enables additional funding to be made available to ambulance services and all other NHS providers who effectively engage in agreeing and delivering against local Sustainability and Transformation Plans.

Sixty Third Report of Session 2016–17

Department for Communities and Local Government

Housing: State of the Nation

Introduction from the Committee

The Department for Communities and Local Government leads on housing on behalf of the Government. It has two strategic housing objectives: driving up housing supply, with the ambition of delivering one million new homes over the five years of this Parliament, and increasing home ownership. These objectives are supported by a range of interlocking programmes. In February 2017, the Government published a White Paper in which it acknowledged the housing market in England was "broken", and had not been delivering enough houses to meet demand for many years. The results of this long-running shortfall in supply are that, in many areas of the country, housing has become increasingly difficult to afford. First-time buyers now on average need to borrow over three times their income, for example and private tenants in London have seen rents go up twice as fast as earnings in a decade. Homelessness has risen since 2009–10, with more than 70,000 families in temporary accommodation at the end of March 2016.

On the basis of a report by the National Audit Office, the Committee took evidence, on 22 February 2017, from the Department for Communities and Local Government and the Department for Work and Pensions about the State of the Nation's Housing. The Committee published its report on 28 April 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *Housing in England: Overview* - Session 2016–17 (HC 917)
- PAC Report: *Housing: State of the Nation* – Session 2016-17 (HC 958)

1: Committee of Public Accounts conclusion:
Housebuilding has been falling short of demand for many years, with escalating human costs. The Department for Communities and Local Government acknowledges the scale of the 'housing gap' between supply and demand, but its ambitions do not come even close to addressing it.

Recommendation:
In its Single Departmental Plan, the Department should publish a 'housing gap' figure (updated on an annual basis), showing the difference between the latest rate of net additional housebuilding and estimates of the rate required to meet demand as identified in its recent White Paper.

1.1 The Government disagrees with the Committee's recommendation.

1.2 The Department will publish the net additional homes statistic in its Single Departmental Plan, showing the net additional homes against the Government's manifesto commitment to deliver a million homes between 2015 and 2020, and half a million more by the end of 2022.

1.3 As part of its Housing White Paper, the Department consulted on introducing a new housing delivery test. The proposal would use an area's estimated housing requirement from its local plan as a baseline (or household projections where no up-to-date local plan exists ahead of a standard approach to local housing need which was introduced on 14 September 2017). It would compare this estimate of the rate of housebuilding required with net additions to highlight whether the number of homes being built is below target. The housing delivery tests will be presented as the percentage of housing delivery above or below the local housing requirement, with consequences applying at certain thresholds.

1.4 In the White Paper the Government made clear that the consensus is that we need 225,000 - 275,000 or more homes per year in England. These public figures will allow anyone who wants, to calculate a 'housing gap' on a dynamic basis.

2: Committee of Public Accounts conclusion:
While the Department has acknowledged that the housing market is 'broken', it is still reliant on the market to achieve its housing ambitions.

Recommendation 2a:
To aid evidence-based consideration of alternative policy options to accelerate housebuilding, the Department should review international evidence and report to Parliament on lessons to be learned from the housing policy and institutional landscape of other countries with higher rates of housebuilding than England, in particular focusing on innovative methods of accelerating construction and improving affordability

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2018.

2.2 The Department reviews international evidence as part of its policy-making process. The Department has drawn on the experience of other countries in developing the policies in the Housing White Paper, for example on custom build and on land assembly. The Department will write to the Committee on what can be learnt from housing policies in other countries by April 2018, and continue to review international evidence as part of the policy making process.

Recommendation 2b:
To aid evidence-based consideration of alternative policy options to accelerate housebuilding, the Department should write to the Committee within six months with estimates of how many homes councils will be able to build up to 2020 under current financing arrangements, and with details on what other, more innovative measures councils can pursue to develop new housing.

2.3 The Government disagrees with the Committee's recommendation.

2.4 It is not possible to provide an estimate of the number of homes councils could deliver by 2020 – both because the funding of new homes is dependent on receipts from sales made under the Right to Buy scheme which may rise and fall over the period and because the vehicles councils use to develop homes outside of the Housing Revenue Account vary considerably in number, size and constitution.

2.5 The Department will continue to closely monitor and publish figures on the development and funding of new affordable homes by local authorities including the total overall stock of local authority owned homes.

2.6 The overall stock of affordable housing and housing owned by local authorities is updated in the live tables on housing stock published in January. The Department already publishes national statistics covering the delivery of new affordable housing as part of the annual Affordable Housing Supply release published in November. Live Tables 1000C and 1000S split out all sources of affordable housing delivery for both starts on site and completions. This includes homes where local authorities are directly the lead organisation or where homes are delivered indirectly via section 106 agreements.

3: Committee of Public Accounts conclusion:
The Department has not been transparent enough about its overarching housing objectives and the progress of individual programmes which will contribute to meeting them.

Recommendations:
The Department should improve the transparency with which it reports both its objectives and progress towards achieving them. In particular, in its Single Departmental Plan it should set out:

a) the cumulative total of net additions since the beginning of its one million homes ambition, showing how many homes need to be completed in future years, and

b) how its individual programmes and spending are contributing to the one million homes ambition (making clear where these are projected as being additional to what the market is likely to have delivered in any case).

3.1 The Government agrees with the Committee's recommendations.

Target implementation date: April 2018.

3.2 The Department is committed to transparency about its objectives and progress towards achieving them. The Department will publish annual net additions figures and the cumulative total from April 2015 onwards in its Single Departmental Plan.

3.3 The Government has set specific targets for how many homes some individual programmes and spending will deliver, which will contribute to the one million homes by 2020 ambition. The Department will publish these in its Single Departmental Plan. However, it is not possible to reliably project how many homes would have been delivered without a specific programme (additionality) because of other Government interventions and changes in the macro-economy and the impact that has on private investment decisions.

4-5: Committee of Public Accounts conclusions:

4: *The Government spends around £21 billion each year on housing benefit, but does not know what contribution this money makes to the supply of new housing.*

5: *Too often, the Government is subsidising landlords in the private rented sector to provide homes below a decent standard.*

Recommendations:

4: Reporting back to the Committee within one year, the Department should work with DWP to identify metrics that can be used to establish the full impact of housing benefit on construction of new homes, and examine the scope for this financing to be used more innovatively to increase housing supply and home ownership.

5: Working with the Department for Work and Pensions, DCLG should commission research on how many non-decent homes in the private rented sector are being subsidised through housing benefit, the total amount of housing benefit this represents, and potential policy mechanisms for utilising this funding to raise the quality of the housing it subsidises so as to meet decent homes standards.

4.1 The Government agrees with the Committee's recommendations.

Target implementation date: Summer 2018.

4.2 The purpose of Housing Benefit is to help tenants meet the cost of renting a home where they do not have sufficient resources to do so on their own. As Universal Credit rolls out, Housing Benefit for working age people will cease to exist and the housing support element of Universal Credit will become one part of a total benefit payment. No new claims to Housing Benefit can be made, by those of working age, from autumn 2018.

4.3 Both Departments agree to continue to consider how to effectively use the Government's financial and policy levers to achieve its goals, including supply, quality and home ownership. Both Departments are assessing the evidence on the relationship between Housing Benefit, housing supply, ownership and quality and plan to look at the interactions and the scope for future joint strategic interventions. The Departments will write to the Committee by Summer 2018.

4.4 The Department will work with DWP to estimate figures for how many non-decent homes in the private rented sector are occupied by working age housing benefit claimants in England, and the total amount of housing benefit this represents. The Department will write to the Committee with the data by the end of 2017.

Sixty Fourth Report of Session 2016-17

Department for Business, Energy and Industrial Strategy

Carbon Capture and Storage

Introduction from the Committee

CCS is a process whereby carbon dioxide is captured from large emitters, such as power stations, before being stored indefinitely, often under the sea. CCS has the potential to play a central role in decarbonising the UK's economy at the lowest cost. It could reduce carbon dioxide emissions from the power sector, heavy industry, heating systems and transport, which together account for over 80% of the UK's emissions. However, there are challenges to deploying CCS in the UK that mean it may not be currently commercially viable, including the need to build supporting infrastructure for some projects and manage long-term storage risks. The Department for Business, Energy and Industrial Strategy has therefore aimed to support construction of the first CCS facilities in the UK over the past decade. It has run two competitions for government support, but neither has reached a successful conclusion, and there are still no CCS plants working in the UK.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence, on 30 March 2017, from the Department for Business, Energy and Industrial Strategy, and HM Treasury. The Committee published its report on 28 April 2017. This is the Government response to the Committee's report.

Background resources

- NAO Report: *Carbon Capture and Storage: the second competition for government support* – Session 2017-17 (HC 950)
- PAC Report: *Carbon Capture and Storage* - Session 2016–17 (HC 1036)

1: Committee of Public Accounts conclusion:
After two competitions costing taxpayers £168 million, the UK is no closer to establishing CCS. The UK has now missed opportunities to be at the forefront of a growing global industry.

Recommendation:
The Department should set out in its Industrial Strategy the role that CCS can play, recognising the potential economic value of being a world leader in a globally expanding technology.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

1.2 The Industrial Strategy will set out the Government's broader approach to maximising UK industrial advantage from the global shift to a clean economy.

1.3 The Department agrees that CCS is relevant to this aim. CCS can be a globally significant technology, given its prominence among options for industrial decarbonisation, and the Department will support UK companies to exploit the global economic opportunities CCS may present. CCS also provides opportunities to decarbonise industrial centres in the UK such as Teesside, Grangemouth and Merseyside, enhancing their long-term competitiveness. It could also provide existing North Sea industries with new economic opportunities through the storage of carbon dioxide.

1.4 To progress this, the Department is keen to work with industry and different sectors including through the Industrial Strategy.

2: Committee of Public Accounts conclusion:
It is now highly likely the UK will have to pay billions of pounds more to meet its decarbonisation targets.

Recommendation:
By the end of 2017, the Department should quantify and publish the impact across the whole economy of delays to getting CCS up and running, and of it not being established at all.

2.1 The Government disagrees with the Committee's recommendation.

2.2 The Department has been clear that it has not excluded CCS from its thinking on the long-term decarbonisation of the UK economy, recognising that, if delivered cost effectively, CCS could lower the overall costs of the UK's legally binding targets under the Climate Change Act.

2.3 However, the Department's view is that the costs of CCS must come down, which is why the Department continues to work with industry to identify ways in which the cost of CCS can be reduced. This includes monitoring and, in some instances, supporting new capture technologies which have the potential to significantly reduce the costs of CCS in the future.

2.4 Were CCS to be deployed to support the Government's approach to decarbonisation, it would be underpinned by a cost benefit analysis.

3: Committee of Public Accounts conclusion:
Without CCS, there is a gap in the Government's plans for achieving decarbonisation at least cost while ensuring a secure supply of electricity.

Recommendation:
The Department's Emissions Reduction Plan should set out a clear, joined-up strategy for deploying CCS in the sectors where it is needed to achieve decarbonisation at least cost.

3.1. The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

3.2. The Department agrees that CCS could play an important role in reducing emissions from industry and power generation; giving the option of decarbonising heat and transport through hydrogen; and when combining with bio-energy or other capture technologies, removing carbon from the atmosphere.

3.3. The Government has been clear that it has not excluded CCS from its thinking on the long-term decarbonisation of the UK economy, subject to its costs coming down.

4: Committee of Public Accounts conclusions:
Once again, the Department did not allocate the risks appropriately between the government and developers, meaning at least one of the two projects was likely to have been unviable.

Recommendation:
When designing future energy policies, the Department should assess and explain the viability of different options for allocating risks between the Government and developers.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The Treasury *Green Book* requires Departments to assess a business case for a policy or project. This requires business risks (including strategic risks), service risks (including implementation or operational risks) and external risks to be identified, assessed and set out in detailed risk registers. This established process allows the Department to assess the viability of different options.

5: Committee of Public Accounts conclusions:
Establishing CCS is now likely to cost taxpayers or billpayers more in the future because of the damage to investors' confidence caused by aborting two competitions..

Recommendation:
The Treasury and the Department should ensure they fully agree on the Emissions Reduction Plan from the outset, and quantify the negative impact on investors' confidence before making any sudden changes.

5.1. The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2. The Government's strategy on how it intends to reduce emissions through to the early 2030s will be agreed across Government and it will send an important signal to the markets, businesses and investors.

5.3. The UK is a world leader on climate action and has provided significant financial support to the energy sector, helping new and innovative technologies while increasing the amount of low-carbon electricity that powers homes and businesses across the UK.

5.4. The Department has always sought to protect investors by maintaining due process, providing grace periods and not acting retrospectively when making changes to policy. Indeed, the UK has gone further than many countries to protect investors, instigating grace periods to ensure that no projects already accredited and that have started to receive support under subsidy schemes will be affected.

6: Committee of Public Accounts conclusions:
The Treasury seems to be determining energy policy, often with detrimental impacts on the government's long-term energy objectives.

Recommendation:
Given the Committee's concerns about the Treasury's undue influence on energy policy, the Department and the Treasury, as part of their work on the replacement for the Levy Control Framework, should agree a way of appraising the costs and benefits of energy policies, which reflects the potential impact across sectors and over the long term, rather than relying on the strike price measure.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 While the Government agrees with the Committee's recommendation, it does not agree with the Committee's concerns regarding the Treasury's undue influence on energy policy. The Treasury has an important role in safeguarding and monitoring public spending. The Treasury works closely, and constructively, with the Department.

6.3 In appraising the costs and benefits of an energy policy and project, the Department does not rely solely on the strike price measure in determining the costs and benefits of an energy policy and project. This is because a strike price is not the sole comparator of a project's or policy's value for money and a number of other factors are already taken into consideration. These include, for example, the relative costs of the policy and project and risks to taxpayers, whether a project is a pilot or first of a kind, the duration of support, the system costs of different technologies, and the level of carbon emissions. This appraisal is in line with Treasury *Green Book* guidance.

6.4 With regard to the decision on the CCS Competition, Treasury Ministers did not take the decision to withdraw the £1 billion in capital support based on a single figure or factor, rather a range of factors relating to the Competition were assessed, including the potential strategic benefits of the projects and the longer-term costs to consumers.

6.5 As announced in the 2017 Spring Budget, the existing Levy Control Framework will be replaced by a new set of controls to be agreed across Government. Details will be set out later in 2017.

Treasury Minutes 2015-20[18]

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: 393
Recommendations agreed: 356 (91%)
Recommendations disagreed: 37 (9%)

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	Cm 9389
February 2017	Government responses to PAC reports 22-25 and 28	Cm 9413
March 2017	Government responses to PAC reports 26-27 and 29-34[19]	Cm 9429
March 2017	Government responses to PAC reports 35-41	Cm 9433
October 2017	Government responses to PAC reports 42-44 and 46-64	Cm 9505

Session 2015-16

Committee Recommendations: 262
Recommendations agreed: 225 (86%)
Recommendations disagreed: 37 (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 (part 2)	Cm 9389

[18] List of Treasury Minute responses for Sessions 2010-15 are annexed in the Government's response to PAC Report 52
[19] Report 32 contains 6 conclusions only.

Treasury Minutes Progress Reports Archive

The Government produces Treasury Minutes Progress Reports on the implementation of recommendations from the Public Accounts Committee.

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	Cm 9407
October 2017	Session 2010-12: updates on 3 PAC reports Session 2013-14: updates on 7 PAC reports Session 2014-15: updates on 12 PAC reports Session 2015-16: updates on 26 PAC reports Session 2016-17: updates on 39 PAC reports	Cm 9506

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