HM Treasury

Treasury Minutes

Government response to the Committee of Public Accounts on the Ninety-Fifth and on the Ninety-Ninth to the One Hundred and Eleventh reports from Session 2017-19

CP 176 October 2019

Treasury Minutes

Government response to the Committee of Public Accounts on the Ninety-Fifth and on the Ninety-Ninth to the One Hundred and Eleventh reports from Session 2017-19

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

October 2019

CP 176

This publication is available at www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at: mailto:Public.enquiries@hmtreasury.gov.uk

ISBN 978-1-5286-1601-0

CCS0919078904 10/19

Printed on paper containing 75% recycled fibre content minimum.

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office.

Government responses to the Committee of Public Accounts Session 2017-19

Ninety-Fifth Report of Session 2017–19

Cabinet Office / Department for Work and Pensions

Accessing public services through the Government's Verify digital system

Introduction from the Committee

GDS, part of the Cabinet Office, created Verify as a cross-government approach to identity assurance. It was intended to be the default way for people to prove their identities, so they could securely access online government services, such as claiming tax back and receiving benefit payments. Verify went live in May 2016, although earlier work to develop an identity assurance strategy and framework started in 2011. The programme contracts out verification services to five 'identity providers', all private sector companies, who receive payments based on the number of people they sign up as Verify users. GDS spent £154 million on Verify and its predecessor programme from April 2011 to September 2018. In October 2018, the Cabinet Office announced that government funding would stop in March 2020. After this time, GDS intends that the private sector will take over responsibility for Verify, including for investment to ensure its future delivery.

On the basis of a report by the NAO, the Committee took evidence, on 18 March 2019, from the Cabinet Office. The Committee published its report on 8 May 2019. This is the Government response to the Committee's report.

Relevant reports

- NAO Report: *Investigation into Verify* – Session 2017-19 (HC 1926)
- PAC Report: *Accessing public services through the Government's Verify digital system* – Session 2017-19 (HC 1748)

Government responses to the Committee

1: PAC conclusion: GDS has failed to meet any of its original performance targets for Verify and vastly overestimated the benefits it could achieve.

1: PAC recommendation: ***The Cabinet Office should write to the Committee before the summer recess setting out the lessons it has learned from the failure of the Verify programme, and what steps it is taking to prevent similar failures in future.***

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 The Verify programme has delivered on three of its four original objectives. The programme has (1) successfully developed world leading standards used by governments across the world, (2) developed a secure technical platform and (3) created a procurement framework for identity services. However, this has been a challenging project. This is to be expected when Government is working at the forefront of new technology.

1.3 There are lessons to learn on the performance targets set for Verify and assumptions needed to meet targeted number of users. The lack of a Government mandate may have contributed to Verify not having achieved the scale promised. The reliance on, and pace of, the digital transformation of government services - as a prerequisite for using digital identity - could have been made explicit and called out as a risk.

1.4 Similarly, the completion rate targets could have been clearly connected to specific levels of assurance, with wide variation expected across levels. Further, the inherent uncertainty in setting targets with no previous benchmarks could have been clarified. There are lessons to learn on communicating that digital identity must balance security and fraud prevention with ease of access.

1.5 There is now more realistic management of expectations in terms of the digital identity requirements and levels of adoption by government services. In future, the methodology for calculating benefits will be more clearly articulated.

2: PAC conclusion: ***People using Verify have been badly served by an onerous system that is not fit for purpose.***

2a: PAC recommendation: ***GDS should, by the 2019 summer recess, write to the Committee setting what changes are being made to Verify to better support people claiming Universal Credit.***

2.1 The Government agrees with the Committee's recommendation.

Recommendation Implemented.

2.2 The Government Digital Service (GDS) and the Department for Work and Pensions (DWP) have been working together on improvements to GOV.UK Verify for access to Universal Credit. The improvements undertaken to date have focussed on an overall review of the service to identify where Universal Credit claimants have most difficulty, that analysis has been utilised to make changes to the design and content to make the customer journey clearer. Additional data sets have also been integrated to increase the success rate and a number of tests are ongoing with the identity providers to further improve the customer experience and gain a positive outcome.

2.3 The Government has written to the Committee with full details of the improvements proposed.

2b: PAC recommendation: ***The Cabinet Office, GDS and Department for Work & Pensions should agree and set specific targets for the number of people they aim to get applying for Universal Credit through Verify.***

2.4 The Government disagrees with the Committee's recommendation at this time.

2.5 On 11 June 2019, the Cabinet Office Minister for Implementation announced the start of engagement on the commercial framework for consuming digital identities from the private sector for the period from April 2020 to ensure the continued delivery of public services.

2.6 DWP, like all other government departments, needs to understand the future commercial framework including costs and operating model in order to make sensible decisions. GDS are actively leading this work although it is not yet concluded. Setting a target for usage would be premature at this stage. The Government will revisit the setting of targets once the commercial model is agreed.

3: PAC conclusion: ***GDS's inability to get buy-in from departments ultimately led to Verify's failure.***

3: PAC recommendation: ***The Cabinet Office needs to secure the commitment of departments to cross-government programmes. In the initial business case for such programmes, it should outline how it will get buy-in from departments and other key stakeholders, and what action they will take should departments go back on their commitments. The Committee expects to see such plans in place when we examine cross-government programmes in future.***

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 There was a cross-government agreement that led to the development of Verify, including Cabinet Committee approval to develop a cross-government identity assurance strategy, followed by approval to build the Verify platform in 2013.

3.3 The Cabinet Office accepts that departmental commitment is essential when implementing cross-government programmes, and that this should be built into business cases and plans from the outset.

4: PAC conclusion: ***Verify was characterised by poor decision making by the Cabinet Office and GDS, compounded now by their failure to take proper accountability.***

4: PAC recommendation: ***For its projects at risk of failure, the Cabinet Office should ensure Accounting Officer (AO) assessments are conducted at the proper time. It should provide the Committee with an update on how many AO assessments have been undertaken in the last 12 months, and what actions it has taken as a result of these.***

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented

4.2 The Treasury, following the Committee's recommendation in 2017, issued *Accounting Officer Assessment* guidance, which states that an AO assessment should always be produced for projects or programmes, which form part of the Government's Major Projects Portfolio (GMPP), alongside the request for the Accounting Officer's approval of the Outline Business Case (or at the point when it enters the GMPP if this is later). It is for the Senior Responsible Owner (SRO) of a GMPP project to recommend to the Accounting Officer whether or not an AO assessment should be prepared at any other stage of the project.

4.3 The Cabinet Office agrees on the use of AO assessments in line with the Treasury guidance. Cabinet Office has not undertaken any AO Assessments in the past 12 months. For projects undertaken by the Cabinet Office, AO assessments will be published on GOV.UK.

5: PAC conclusion: ***The Cabinet Office and GDS have no meaningful plan for what will happen to Verify post-2020.***

5: PAC recommendation: ***Alongside its Treasury Minute response, the Cabinet Office and GDS should write to the Committee by the summer recess setting out the detailed plan for how Verify's services will be maintained after 2020, including how government services using Verify will be protected from unaffordable cost increases.***

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2019

5.2 On 11 June 2019, the Cabinet Office Minister for Implementation reiterated the Government's commitment to enabling the creation of a ubiquitous digital identity market and set out actions the Cabinet Office is taking in partnership with the Department for Digital, Culture, Media and Sport (DCMS) and other departments to deliver on this ambition.

5.3 The creation of a new Digital Identity Unit, which is a collaboration between DCMS and Cabinet Office, will help bring the public and private sector together to ensure the adoption of interoperable standards, specification and schemes, and deliver on the outcome of the consultation.

5.4 Additionally, the start of engagement on a commercial framework for the Government to consume digital identities from the private sector from April 2020 will ensure the continued delivery of public services. This commercial engagement is underway with government services to ensure the new framework meets services' needs.

5.5 On 19 July 2019, the Digital Secretary and the Minister for Implementation published a call for evidence to seek views on how to achieve higher levels of trust between the public and organisations checking their identities. This announcement also referred to individuals reusing previously verified identities in different sectors and services, and the launch of a broader pilot scheme allowing organisations to digitally check the validity of an individual's passport.

5.6 In relation to the detailed plan for how Verify's services will be maintained after 2020, GDS will write to the Committee with further information in due course.

6: PAC conclusion: ***The Cabinet Office and GDS have not protected taxpayers' interests in securing Verify's intellectual property.***

6: PAC recommendation: ***The Cabinet Office and GDS should take urgent action to clarify the value of Verify's intellectual property, to protect the interests of taxpayers. They should detail this in the plan the Committee has requested by the summer recess.***

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 Verify was designed and built by GDS and the specialist digital identity expertise and knowledge of the design, user research and technical architecture for the Verify assets is with the Cabinet Office.

6.3 The copyright in the GOV.UK logo is Crown-owned and there is a registered trademark for the GOV.UK Verify logo.

6.4 The identity providers own the intellectual property for the systems they have developed in order to create and verify identities.

6.5 In line with government's Service Standard, the technical components which have been developed for Verify are largely published as open source code.

Ninety-Ninth Report of Session 2017–19

Cabinet Office

Cyber Security in the UK

Introduction from the Committee

UK citizens and businesses increasingly operate online to deliver economic, social and other benefits, and the Government aspires to be a world leader in digital economy and putting its services online. This makes the UK and its citizens more vulnerable to various risks when operating on the internet, collectively known as cyber-attacks. These attacks continue to increase and evolve. The Government's view is that these risks can never be eliminated but can be managed to the extent that the opportunities provided by digital technology, such as reducing costs and improving services, outweigh the disadvantages.

Since 2010, the Government has taken a central lead in ensuring that the UK effectively manages its exposure to cyber risks. The Cabinet Office has led this work, through successive National Cyber Security Strategies. The current National Cyber Security Strategy runs from 2016 to 2021. It has a £1.9 billion budget. One part of delivering the Strategy is the National Cyber Security Programme, which has a budget of £1.3 billion. The Strategy has 12 strategic outcomes. The Programme's objectives mirror these strategic outcomes. The Department currently assesses that one strategic outcome is on track to complete by March 2021. None of the remaining 11 strategic outcomes are currently due to be achieved by 2021, and the Department has 'low confidence' in the quality of the evidence that underpins the assessment of progress against many of these.

On the basis of a report by the NAO, the Committee took evidence, on 1 April 2019, from the Cabinet Office. The Committee published its report on 5 June 2019. This is the Government response to the Committee's report.

Relevant reports

- NAO Report: *Progress of the 2016-2021 National Cyber Security Programme* – Session 2017-19 (HC 1988)
- PAC Report: *Cyber Security in the UK* – Session 2017-19 (HC 1745)

Government responses to the Committee

1: PAC conclusion: *The UK is particularly vulnerable to the risk of cyber-attacks.*

1: PAC recommendation: *The Department should ensure another long-term coordinated approach to cyber security is put in place well in advance of the current Strategy finishing in March 2021.*

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2021

1.2 The Department will lead a whole of Government approach to plans for cyber security post March 2021. This work will feed into the 2020 spending review.

2: PAC conclusion: *The Department cannot justify how its approach to cyber security is delivering value for money.*

2: PAC recommendation: *The Department should ensure that, to support any follow on, long-term and coordinated approach to cyber security, it produces a properly costed business case.*

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spending Review 2020

2.2 A single government business case on cyber security will be completed as part of planning for the 2020 spending review.

3: PAC conclusion: ***The Department lacks the robust evidence base it needs to make informed decisions about cyber security.***

3: PAC recommendation: ***The Department should write to the Committee by November 2019 setting out what progress it is making in using evidence-based decisions in prioritising cyber security work. This should include plans for undertaking a robust 'lessons learnt' exercise to capture all relevant evidence from the current Strategy and Programme to support any future approach to cyber security.***

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: November 2019

3.2 The Department will provide a full response in November 2019 on progress in using evidence-based decisions in prioritising cyber security work.

4: PAC conclusion: ***The Department has not been clear what the Strategy will actually deliver by 2021.***

4: PAC recommendation: ***When the Department publishes its costed plan in autumn 2019 for its future approach to cyber security it should also set out what the existing Strategy and Programme should deliver by March 2021, and the risks around those areas where it will not meet its strategic outcomes and objectives.***

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: Summer 2020

4.2 Further information on progress of the existing strategy and programme will be published in the next progress report in summer 2020. For national security reasons, full details of the risks and gaps in the government's progress will not be made available.

4.3 Details of cyber funding post March 2021 will be released as part of wider spending review decisions. Costed plans will be produced as part of the business case. For national security reasons, published costs will not be disaggregated.

5: PAC conclusion: ***Government has not yet done enough to enhance cyber security throughout the economy and better protect consumers.***

5: PAC recommendation: ***The Department should write to the Committee by November 2019, outlining how it intends to influence the different sectors in the economy—for example, retail—to provide consumers with information on their cyber resilience. As part of this it should outline how they intend to measure success in protecting consumers. This should also form part of its approach to cyber security after 2021.***

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2021

5.2 The National Cyber Security Strategy proposed a shift in the Government's approach away from solely providing information, towards removing as much of the burden of ensuring cyber resilience as possible from citizens and businesses. Work is already underway under a number of the current strategic objectives to influence different sectors. The Department will provide a full response to the committee by November 2019.

One-Hundredth Report of Session 2017-19

Department of Health and Social Care

NHS waiting times for elective and cancer treatment

Introduction from the Committee

In England, patients have the right to receive consultant-led elective (or non-urgent) treatment within 18 weeks of their referral (usually by a GP). For patients urgently referred for suspected cancer, they have the right to a first outpatient appointment within two weeks. To ensure patients' rights, the Department of Health and Social Care (the Department) has set performance standards for the percentage of patients to be treated within the maximum time a patient should wait for treatment. For example, 92% of patients should wait no more than 18 weeks for their elective treatment from the date of their referral (if treatment is needed), and 93% of patients should be seen by a cancer specialist within two weeks of being urgently referred by a GP for suspected cancer. The NHS has also pledged that 85% of patients who are subsequently diagnosed with cancer should be treated within 62 days of the date of their original referral, normally by their GP.

The Department holds NHS England to account for national performance against these standards. In turn, NHS England holds clinical commissioning groups (CCGs) to account for meeting the standards for their local populations. CCGs are responsible for enforcing waiting times standards through contracts with service providers, mostly NHS trusts and foundation trusts. NHS Improvement regulates and supports trusts to achieve waiting times standards.

On the basis of a report by the Comptroller and Auditor General, we took evidence from the Department for Health & Social Care (the Department), NHS England and NHS Improvement on Wednesday 24 April 2019. The Committee published its report on 12 June 2019. This is the Government response to the Committee's report.

Relevant reports

- NAO report: *NHS waiting times for elective and cancer treatment* - Session 2017-19 (HC 1989)
- PAC report: *NHS waiting times for elective and cancer treatment* – Session 2017-19 (HC 1750)

Government responses to the Committee

1: PAC conclusion: *The NHS is failing to meet key waiting times standards for cancer and elective care, and its performance continues to decline.*

1: PAC recommendation*: NHS England should set out, by December 2019, how, and by when, it will ensure that waiting times standards for elective and cancer care will be delivered again.*

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2020

1.2 The NHS National Medical Director was asked by the Prime Minister to review the core set of NHS access standards, including for elective and cancer care, to ensure they are fit for purpose and reflect current service delivery models. The detail of our response to this recommendation is dependent on this work.

1.3 The Clinically-led Review of NHS Access Standards *interim report published in March 2019* sets out the initial proposals for testing changes to access standards in mental health services, cancer care, elective care and urgent and emergency care. These proposals are now being field tested at a selection of sites across England.

1.4 The existing standards remain in place until any new standards are agreed. The review is due to report its recommendations by Spring 2020, ahead of full implementation, after consideration has been given to the evidence gathered through field testing.

1.5 Any new standards that the review recommend will be clinically led, patient focused, and reflect the improved ways in which the NHS now treats patients.

2: PAC conclusion: ***The Department of Health & Social Care has allowed NHS England to be selective about which standards it focuses on, reducing accountability*.**

2: PAC recommendation: ***The Department of Health & Social Care and NHS England should clarify to the Committee by December 2019:***

- ***how NHS England will be held accountable for achieving waiting times standards now and in the future; and***
- ***what additional support NHS England and NHS Improvement will put in place to help local NHS bodies to meet waiting times standards.***

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2019

2.2 The current assurance process provides Ministers with several mechanisms for holding NHS England/Improvement to account, including an annual accountability framework that is assessed on a 6-monthly basis, as well as the opportunity to place requirements in the mandate along with regulations to address performance issues should they arise.

2.3 The *NHS LTP Implementation Framework*, published in June 2019, sets out a new method for assurance from April 2020. This includes a list of high-level metrics with a specific requirement on the implementation of agreed waiting times/clinical standards for urgent and emergency care, elective care, cancer and mental health. The Department is currently working with NHS colleagues to agree on the frequency and detail of reporting against these metrics and how they should align with objectives in future accountability frameworks so clear and transparent lines of reporting remain.

2.4 In addition to additional funding to increase planned treatments over the next five years, there are a number of improvement initiatives that aim to help local organisations reduce waiting times. These include:

- national support to fundamentally redesign the outpatient model
- intensive support for challenged providers
- providing patients with a wider choice of options for quick elective care

3: PAC conclusion: ***We are concerned that NHS England's review of waiting times will not be enough to ensure a clear understanding of, and strong accountability over, the performance of the NHS.***

3: PAC Recommendation: ***The Department of Health & Social Care should ensure that any changes to current waiting times standards:***

- ***help to improve patient outcomes and patient experiences;***
- ***do not water down current standards to make them easier to meet; and***
- ***are communicated clearly to the public, so that patients understand what they can expect of the NHS***

3.1 The Government agrees with the Committee's recommendation

Target implementation date: April 2020

3.2 The NHS has been asked to come forward with proposals on how the existing NHS access standards can by updated in the best interests of patients. As set out in the *interim report published in March 2019*, the NHS will be evaluating whether the new suite of standards proposed meet the following principles:

- promote safety and outcomes;
- drive improvement in patient experience;
- are clinically meaningful, accurate and practically achievable;
- ensure the sickest and most urgent patients are given priority;
- ensure patients get the right service in the right place;
- are simple and easy to understand for patients and the public; and
- do not worsen inequalities.

3.3 Any changes to the existing standards will only be with the agreement of Government. Nothing will be agreed until we are content any potential changes to NHS performance standards are based on clinical evidence and are clearly in the interest of patient safety.

4: PAC conclusion: *The national health bodies lack curiosity about the impact for patients of longer waits and how often this leads to patient harm.*

4: PAC recommendation: *The Department of Health & Social Care, together with NHS England and NHS Improvement, should write to us by December 2019 on how they are going to ensure that the data on patient harm due to long waiting times are going to be routinely collected, reported and acted upon.*

4.1 The Government disagrees with the Committee's recommendation.

4.2 In practice it would be challenging logistically and quantification would be methodologically difficult and likely impractical. Work by *Hogan et al*[1] and others shows that causation is often complex, and clinical opinion can differ on the same case. Results of waits may not manifest clearly for many years, or at all. These problems reduce the reproducibility of data collection and require duplicate clinical review in order to be overcome.

4.3 Significant progress has been made to learn from harm recently. All NHS trusts now review the care they provide to patients who die and *publish data quarterly and annually on their findings.* All trusts investigate and *learn from serious incidents* – including where treatment delays may have led to serious harm. These incidents are reported to the National Reporting and Learning System and reviewed to identify new and emerging risks, informing *action to reduce those risks*[2] including by issuing *Patient Safety Alerts*[3].

5: PAC conclusion: *Bottlenecks in hospital capacity are having a detrimental impact on how long patients wait for treatment.*

5: PAC recommendation: *NHS England and NHS Improvement should evaluate and report back to the Committee on how the NHS plans to ensure that it has the required diagnostic and bed capacity to meet patient demand in the medium to long term. They should also set out, in the short term, how they will support local bodies to improve their patient flow through the health system and reduce unwarranted variation.*

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: Summer 2021

5.2 The need for broader diagnostics reform to meet appropriate demand is recognised in the NHS Long Term Plan. This includes existing programmes to network models of provision in pathology (December 2021), imaging (December 2023) and deliver a national genomic testing service (2018), with

[1] https://www.bmj.com/content/351/bmj.h3239
[2] Patient Safety Review & Response Reports: https://improvement.nhs.uk/resources/patient-safety-review-and-response-reports/
[3] Patient Safety Reports: https://improvement.nhs.uk/resources/patient-safety-alerts/

further opportunities to be explored in endoscopy, physiology, and primary/community care to support LTP priorities. Workforce requirements and solutions are being considered under the NHS People Plan (2019). Work is also underway to develop the supporting digital infrastructure and identify capital requirements. The ability of the NHS to implement the committee's recommendation by summer 2021 is dependent on the NHS agreeing a multi-year capital settlement as part of the Spending Review 2020.

5.3 Sir Mike Richards' review of national cancer screening programmes in England (due in autumn 2019) is set to provide recommendations to the NHS England Board, regarding the future of commissioning and delivery of cancer screening programmes in England. The review will consider the wider implications of cancer screening programmes on diagnostic capacity, as well as the relevant workforce needed to provide these services.

5.4 In the Long Term Plan and the modelling that underpins it, NHS England recognises the need to ensure that there is sufficient bed capacity within the system and has not assumed that due to increased investment in community and primary care that there will necessarily be a reduction in the need for beds. The Department has therefore provided hospital funding that reflects the trends of the past three years to manage patient demand and expectations.

5.5 In addition to this, the NHS continues to focus on freeing up hospital beds for those patients who need them most. This is being done through reducing Delayed Transfers of Care and the number of Long Stay Patients. The NHS is also spreading the use of Same Day Emergency Care (SDEC) models. Under the SDEC care model, patients presenting at hospital with relevant conditions can be rapidly assessed, diagnosed and treated without being admitted to a ward, and if clinically safe to do so, will go home the same day their care is provided.

6: PAC conclusion: *The NHS still does not understand sufficiently what is driving demand for referrals for elective treatment.*

6: PAC recommendation: *As we recommended in March 2019, NHS England and NHS Improvement should, by September 2019, write to us to set out how they will help local bodies to better understand the demand for care, and to plan their services accordingly to better meet the needs of their local patients.*

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: September 2019

6.2 The *NHS Operational Planning and Contracting Guidance 2019-20* and the associated operational planning process is the key mechanism through which NHS England mandates NHS organisations to develop operational plans to deliver our key priorities, including for waiting times. It also produces and provides a number of enabling tools to support local organisations through the annual planning process and plan demand accordingly. The planning process and timetable for 2020-21 is currently being developed and will include specific plans on required bed capacity and diagnostic capacity.

6.3 Additionally, NHS England has commissioned analysis to help better understand the increases in demand for elective inpatient care in England.

The analysis will be staged as follows:

- confirm and quantify the increase in demand.
- identify subsets of activity in which demand growth is most strongly expressed.
- generate hypotheses for why demand has increased.
- test hypotheses and quantify impact.

6.4 The Elective Care Intensive Support Team (IST) provides practical support to the most challenged trusts to help them manage demand and waiting lists. This includes tools on: demand and capacity modelling, breach analysis and pathway re-design.

6.5 A national Demand & Capacity Team is available to provide models and training so that providers can ensure that for elective care services they have the right resources in place to meet their demand and treat patients within waiting time limits, whilst allowing providers to look at patient flow and deploy their resources more efficiently.

7: PAC conclusion: ***NHS England has not yet identified how it will manage the variety of factors that could affect the success of its plans to better manage elective care***

7: **PAC Recommendation:** ***The Department, NHS Improvement and NHS England should, by December 2019, clarify to us:***

- ***How they are going to develop a fit-for-purpose workforce to ensure that the ambition to reduce face-to-face appointment by one-third is going to be achieved.***
- ***How they are going to ensure access to care is maintained if the number of outpatient appointments is not reduced as planned.***

7.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2019

7.2 An NHS People Plan will be developed as part of the overall implementation plan for the Long Term Plan. The *Interim NHS People Plan* was published on 3 June 2019 and sets the actions the NHS will take to meet the challenges of supply, reform, culture and leadership. To deliver the Long Term Plan's vision of a new service model which will increase digitally enabled primary and outpatient care, the Interim NHS People Plan sets out the need both for continued growth in the workforce, and transformation to one that is more flexible, adaptive and has a different skill mix.

7.3 Through the *Long Term Plan Implementation Framework*, the NHS has asked local health systems to set out in their plans how they will increase the use of digital tools to transform how outpatient services are offered and provide more options for virtual outpatient appointments. Local health systems have been asked to identify which specialities they intend to prioritise as they work towards removing the need for up to a third of face-to-face outpatient visits, reducing outpatient visits by up to 30 million a year nationally, and the need for unnecessary patient and staff travel. National tools have made available to providers to help them target reductions in cancellations and non-attendance at appointments, by improving processes and usage of digital booking options.

7.4 Whilst this works takes place, existing routes for access to care will remain open and patients will still be able to be referred for face to face appointments where that is appropriate.

One Hundred and First Report of Session 2017-19

Ministry of Defence

Submarine defueling and dismantling

Introduction from the Committee

The Ministry of Defence (the Department) has committed to handling its retired nuclear-powered liabilities responsibly, disposing of them "as soon as reasonably practicable". This includes removing the irradiated nuclear fuel (defueling), storing the submarines safely, taking out the radioactive parts (dismantling), and then recycling the boat. To date, the Department has not yet disposed of any of its 20 submarines retired since 1980, with nine still containing irradiated fuel. It has spent £500 million on storage and maintenance in that time. On behalf of the Department, the Submarine Delivery Agency (the Agency) manages several interdependent projects to ensure there is the necessary space, infrastructure, skills and regulatory approvals for the work. In July 2018, the Department told us that although it had previously deferred dismantling submarines for reasons of affordability, this was no longer acceptable on safety and reputational grounds.

On the basis of a report by the National Audit Office, the Committee took evidence from the Department, the Submarine Delivery Agency (the Agency) and Babcock International Group plc (Babcock) on submarine disposal on 1 May 2019. The Committee published its report on 19 June 2019. This is the Government's response to the Committee's report.

Relevant reports

- NAO report: *Investigation into Nuclear submarine dismantling and defueling* Session 2017-19 (HC 2102)
- PAC report: *Capita's contracts with the Ministry of Defence* Session 2017-19 (HC 2041)

Government responses to the Committee

1: PAC conclusion: The continual failure to progress submarine disposal has created an unacceptable and unnecessary problem for the Department.

1: PAC recommendation: To ensure the task receives the attention it deserves, the Department and its partners must maintain the recently established momentum by regularly monitoring progress with these projects at senior level and continuing to provide information on developments via the Department's annual update to Parliament on the future nuclear deterrent.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2019

1.2 The Department has submarine disposal related milestones with the Submarine Delivery Agency (SDA), which will continue to be reviewed via the established governance processes, including the monthly SDA Performance Committee. The 2019-20 milestones reflect the Department's commitment to submarine disposal related projects. The Department's Defence Nuclear Organisation will continue to regularly monitor the progress of submarine disposal-related projects delivered by the Submarine Delivery Agency, providing additional senior level oversight, when necessary, through the Defence Nuclear Executive Board.

1.3 The Department will continue to provide an annual update to Parliament on the future nuclear deterrent.

2: PAC conclusion: The Department has yet to resolve significant uncertainties affecting the projects that are needed in order to avoid future space constraints and meet its commitments.

2: PAC recommendation: To avoid running out of space and to meet its commitments, the Department must achieve the milestones it has set itself over the next ten years, including by having commercial arrangements agreed for defueling by the end of 2019. It should report to us on progress with both the defueling and dismantling projects by 31 March 2020.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2020

2.2 There is sufficient capacity in Devonport dockyard to store safely laid up submarines until the mid-2030s, including the last three operational TRAFALGAR Class submarines. Beyond this, the requirements for future laid up submarines are being considered by the SDA.

2.3 The Department is working closely with our suppliers in the defence and civil sectors to develop and deliver safe, secure and cost-effective capabilities to defuel and dismantle laid up submarines in accordance with Departmental targets. Value for money for the taxpayer remains our primary concern. Babcock's proposal for delivery of the defueling facility project is currently undergoing commercial negotiation; in order not to prejudice discussions we would not commit to a specific end date for achieving commercial arrangements.

2.4 The Department will provide a briefing on progress with submarine defueling and dismantling projects within the agreed timeframe. It should be noted that the content of the report would need to be mindful of commercial sensitivities.

3: PAC conclusion: ***The Department has repeatedly made decisions on short-term affordability grounds which have increased costs in the longer-term and led to poor value for money.***

3: PAC recommendation: ***Where it has made decisions on affordability grounds that affect disposal-related projects, the Department should detail the targets, timescales and success indicators in its annual nuclear deterrent report to Parliament how these impact on progress towards establishing a routine programme of disposals, as well as how it will manage the risks to value for money.***

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2020

3.2. The Department remains committed to the disposal of laid-up nuclear submarines and will continue to consider Departmental priorities in accordance with established processes.

3.3 The Department is committed to comprehensive and transparent reporting, and will continue to keep Parliament informed on progress through established reporting mechanisms. The next Equipment Plan summary report will address funding across the Department, including nuclear specific issues, and provide funding lines against our major projects.

3.4 The Department will continue to provide an annual update to Parliament on the future nuclear deterrent.

4: PAC conclusion: ***We remain unconvinced that funds will be available for disposal-related projects, or that the Department has done everything it can to secure potential funds.***

4a: PAC recommendation*: To sustain momentum behind this work, the Department must provide certainty over longer-term funding as soon as possible. It should do this by:*

- ***urgently clarifying department-wide priorities and making decisions to delay, defer or descope areas of the programme so as to plan funding on a longer-term basis;***

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: Winter 2019

4.2 Financial provision has been made for the management of our current and future laid up submarines including defueling (where necessary) and dismantling.

4.3 The Department will continue to consider defence priorities in accordance with established processes. As stated at paragraph 3.4, the next Equipment Plan summary report will address funding across the Department, including nuclear specific issues, and provide funding lines against for our major projects.

4b: PAC recommendation:

- ***being clearer on the priority of disposal-related projects and how this may change over time;***

4.4 The Government agrees with the Committee's recommendation.

Target implementation date: March 2020

4.5 The Department remains committed to the safe, secure and cost-effective defueling and dismantling of all our decommissioned nuclear submarines as soon as practicably possible.

4.6 The priority of submarine disposal related projects within the Nuclear Enterprise is established through existing governance arrangements, corporate documentation and targets, with senior oversight from the Defence Nuclear Executive Board.

4c: PAC recommendation:

- ***work with the Department for Business, Energy & Industrial Strategy and HM Treasury on the scope of the Energy Act 2004. The Department cannot access the decommissioning funds ringfenced as part of this Act and it should work with these other departments to push for change.***

4.7 The Government disagrees with the Committee's recommendation.

4.8 The Government does not consider that alteration of the Energy Act 2004 would provide the optimum solution for the delivery of submarine disposal within the national endeavour to manage the nuclear legacy. Extension of the scope of the Energy Act 2004 for submarine disposal will not guarantee greater certainty of funding nor a greater priority status against other the Nuclear Decommissioning Authority priorities for management of the national nuclear legacy.

4.9 However, the Government will continue to seek the optimum solution to deliver value for money disposal of decommissioned submarines, which is best achieved through coherent policies and strategies for waste management across both the defence and civil sectors.

4.10 Simplification and improvement in the efficient management of defence nuclear liabilities is being actively pursued between the Ministry of Defence (MOD) and the Department for Business, Energy and Industrial Strategy (BEIS). Cross-sector collaboration to reduce the future cost burden of nuclear decommissioning on the taxpayer is enshrined in the Nuclear Sector Deal which is fully supported by both departments.

5: PAC conclusion: The engineering challenge of dismantling and disposing of nuclear submarines provides an opportunity to develop much needed skills in support of the government's wider industrial and skills strategies.

5: PAC recommendation*: Given the importance to the UK of developing a broad pool of skilled engineering talent, the Department and Babcock should set out by December 2019 its strategy for exploiting opportunities across disposal projects, such as working with universities, with the aim of increasing the size of the skilled workforce.*

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

Recommendation Implemented

5.2 The Department is working closely with its suppliers, including Babcock, to address the challenges of skills across Defence and contribute to wider UK nuclear skills growth in line with Government policy through the Nuclear Sector Deal. The Department and Babcock are both committed to increasing the UK nuclear skills base as articulated in the cross sector Nuclear Skills Strategy Group Strategic Plan published in December 2018, which includes maximising use of the apprenticeship levy, boosting doctoral research and expansion of the National College for Nuclear.

5.3 The Department is currently undertaking a workforce planning project for Civil Service Nuclear Skills, which included decommissioning skills. This is due to report in late summer followed by a period of embedding to become business as usual. The outcome will form part of the departmental strategy for nuclear skills which will set out the approach over the next 5-10 years and areas of engagement required to sustain the requirement for nuclear skills.

5.4 The Department's new 5-year nuclear undergraduate apprenticeship's first cohort will be graduating in September 2019, with some graduates expected to join disposal related projects.

6: PAC conclusion: ***The Department's ability to achieve value for money depends on managing complex commercial risks and relationships.***

6: PAC recommendation: ***The Department should report to us by 31 March 2020 to confirm that it has in place the appropriate commercial arrangements it needs and that good value for money will be delivered for the taxpayer.***

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2020

6.2. As stated in paragraph 2.3, The Department is working closely with Babcock and other suppliers to develop and deliver the capabilities necessary to defuel and dismantle laid up submarines in a safe, secure and cost-effective manner through appropriate commercial arrangements.

6.3 The Department will provide a briefing on progress with submarine defueling and dismantling projects within the agreed timeframe. It should be noted that the content of the report would need to be mindful of commercial sensitivities.

One Hundred and Second Report of Session 2017-19

Ministry of Defence

Military Homes

Introduction from the Committee

In 1996, the Ministry of Defence (the Department) sold 55,000 service family homes, on a 999-year lease, to Annington Property Limited (Annington) and agreed to rent them back for up to 200 years. Rent review negotiations, with new rents due to take effect from 2021 onwards, may result in a significant increase in rental costs on this estate as, to date, the Department has benefitted from a 58% downwards adjustment of rent. In September 2017, the Department announced that by June 2019 it would terminate five years early its contract with Capita to manage the estate on its behalf, due to poor performance. Contractors providing maintenance for service family homes under the existing contract have failed to meet key performance targets over an extended period, leading to high levels of complaints. In 2018, survey results showed that only 51% of service personnel were satisfied with their accommodation. The new Future Accommodation Model (FAM) is designed to give service personnel more choice of accommodation. Pilots have been delayed and are now only due to start in 2019 and full roll-out will begin, at the earliest, in 2022. The number of empty properties held by the Department was over 10,000 in 2018, roughly the same as 21 years before. We have reported four times in recent years on service family accommodation and will continue to keep a close eye on developments.

The Committee took evidence from the Department, and UK Government Investments (UKGI) on 8 May 2019. The Committee published its report on 21 June 2019. This is the Government's response to the Committee's report.

Relevant reports

- NAO report: *The Ministry of Defence's arrangement with Annington Property Limited* Session 2017–19 (HC 762)
- NAO memorandum: *Service Family Accommodation update* January 2017
- PAC report: *Ministry of Defence's contract with Annington Property Limited,* Session 2017–19, (HC 974)
- *Treasury Minutes Progress Report* March 2019 (CP 70)

Government responses to the Committee

1: PAC conclusion: ***Difficult negotiations with Annington about future rent levels on the estate lie ahead later in 2019 and will have a critical impact on the Department's whole accommodation strategy.***

1: PAC recommendation***: We expect the Department to negotiate hard on behalf of the taxpayer who was badly let down by the terms of the original deal. It should provide us with regular updates on progress with the site review process, as well as agreement on other elements of the negotiations, initially in September 2019.***

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: September 2019.

1.2 As part of its commitment to seek to secure better value for money for the taxpayer, the Ministry of Defence (the Department) has recently agreed with Annington Property Ltd (APL) an accelerated process to carry out the formal Site Rent Review which was due to start in 2021 (25 year point). The review will determine a new rent adjustment to replace the overall 58% abatement the Department currently has. The agreement with APL, which includes several concessions for the Department, has resulted in defence sites being grouped into more easily managed baskets based on shared characteristics, such as location, number of units and size of local rental market. 20% of properties in each basket (around 1,000 in total) will be inspected, both internally and externally by joint Department and APL teams, at one representational site within each of the 27 basket sites. The inspection programme started in April 2019 and is due to be completed by September 2019. This process will allow both sides to come to a view on the rental value of one representational site in each basket, and for this figure to be extrapolated across the remaining sites. If agreement cannot be reached on the value of each basket, the sites will go to independent arbitration for a decision. The Department aims to have concluded this process within the following 12 to 24 months. Early indications suggest the site and property inspections are going well, in line with the agreed schedule of visits. The Department will provide 6-monthly updates.

2: PAC conclusion*: Levels of satisfaction with housing among service families remain far too low and are a continuing risk to retention rates among service personnel.*

2: PAC recommendation: ***The Department should continue to set itself stretching targets for continuous improvement in service families' satisfaction with their accommodation and incorporate demanding service quality targets into new contracts. These targets should be linked to contractor performance and incentives and should take account of best practice elsewhere.***

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented

2.2 The Department has set a target of 68% for customer satisfaction for the 12-month rolling period to March 2020. This represents a demanding 4% increase over actual performance for the 12-month rolling period to March 2019. In addition, the Department will use the Future Defence Infrastructure Services (FDIS) programme to introduce challenging (industry standard) service quality targets for the provision of Service Family Accommodation services from Autumn 2021.

2.3 The Department will incentivise supplier performance to complete reactive maintenance in a single visit through a specific First Time Fix performance measure, supported by a Recall performance measure which tracks repeat visits to completed repairs. The target performance thresholds have yet to be finalised but will be benchmarked against high performing housing sector repair and maintenance contracts.

2.4 All associated performance measures will be adjustable through the life of the contract to ensure they reflect changing requirements and continuous improvement initiatives. The future contract will obligate suppliers to put in place continuous improvement plans. Mechanisms will be in place to ensure that the delivery of continuous improvement initiatives is appropriately incentivised.

3: PAC conclusion: ***The Department has been slow to recognise that the traditional model of military housing, and who is entitled to it, has not kept up with changes in social attitudes and the needs of service personnel.***

3: PAC recommendation: ***The Department must develop a clearer approach to the housing needs of armed forces personnel, based on need, as well as a deeper understanding of the diverse real-life circumstances of service personnel and their families.***

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented

3.2 Two key policy changes are being implemented in 2019 to address the varying needs of Service Personnel (SP). The longstanding accommodation policy which prohibited cohabitation in Service Family Accommodation (SFA) was amended from 1 April 2019, enabling SP with more than four years' service or SP who have residential responsibility for a child and who are in a long-term relationship, to apply to live together in surplus SFA in all UK bases. As of 1 July 2019, 78 SFA were occupied by co-habiting personnel under this new policy.

3.3 The Department acknowledges that accommodation entitlement remains according to Service rank and/or family size. However, cohabitation policy delivers early on one of the Future Accommodation Model (FAM) pilot's objectives to remove these restrictions and support the Ministry of Defence's Strategic Defence and Security Review 2015 commitment to balance a career in the Armed Forces with family life.

3.4 FAM represents a fundamental shift in the way defence delivers accommodation. A three-year pilot, beginning at Her Majesty's Naval Base Clyde in September 2019 followed by Aldershot Garrison in January 2020 and RAF Wittering in May 2020, will gather evidence to inform a Main Gate decision in 2022. It will give SP more choice in where and with whom they live, including helping more to live in private accommodation and meet aspirations for home ownership, alongside existing SFA and Single Living Accommodation provision.

4: PAC conclusion: ***The delivery of a modern and flexible accommodation model is still a distant prospect, over three years after its announcement.***

4: PAC recommendation: ***The Department should provide us with updates on the Future Accommodation Model, initially in Summer 2020, to confirm that the pilots are under way, to explain how they will capture the varied circumstances in which service personnel and their families live.***

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: October 2020

4.2 As indicated in the response to Recommendation 3, the Future Accommodation Model will begin to launch at the first pilot site, Her Majesty's Naval Base Clyde, in September 2019 followed by Aldershot Garrison in January 2020 and RAF Wittering in May 2020. All three pilot sites will be live from May 2020. An update will be provided in Summer 2020 including context of how the pilot has developed in these first few months and what evidence has been captured to inform policy iterations, to ensure SP have a positive experience of the broader accommodation options available.

5: PAC conclusion***: The Department is still holding too many empty properties, while there are thousands of people across the country on housing waiting lists.***

5: PAC recommendation: ***The Department should provide us with an update on progress towards the 10% target for empty properties by 31 July 2020.***

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented

5.2 As indicated at the Public Accounts Committee hearing on 8 May 2019, the Chief Executive, Defence Infrastructure Organisation has set an ambitious target for the Department to achieve a reduction in the number of empty properties to the required management margin of 10% by Autumn 2021. There are around 11,500 empty properties at present. It was projected that the number of empty properties would be reduced to around 9,200 by April 2020. This reduction will be achieved through a combination of handing back properties to Annington Property Ltd; release of Bulk Lease Hirings; sub-letting to the general public; demolition (mainly in Northern Ireland); widening of eligibility for cohabiting couples; and appropriation of Service Family Accommodation (SFA) to Single Living Accommodation to meet increased demand. In addition, the Maritime Change and Army Basing Programmes will increase demand for SFA. However, there are several factors which may impinge on the Department's ability to reach this stretching target. These include a declining trend in take-up of SFA by entitled families (driven by the success of the Forces Help to Buy Scheme) and the potential impact of the Future Accommodation Model pilots at Faslane, Aldershot and Wittering in reducing demand in those locations. Notwithstanding, it is recognised that by reducing the level of empty properties, and therefore the rent paid by the Department, more money will be available to invest in improving the estate. An update on progress will be provided by 31 July 2020.

6: PAC conclusion***: The whole issue of military housing needs to be given far greater priority within senior levels of the MOD.***

6.1 A Defence Accommodation Strategy endorsed at a senior level which acknowledges the requirement for a coherent accommodation offer to maximise opportunities for the estate and the changing requirements of service personnel is being implemented. Work is progressing through a 1* Accommodation

Coherence Group, bringing together teams across Defence who are working on accommodation projects and initiatives, such as the Defence Estate Optimisation Programme, the Future Accommodation Model and the future of Forces Help to Buy, and through the outward facing Defence Accommodation Expert Group, chaired by Chief of Defence People, which seeks challenge and input at board level from across the public and private accommodation sectors.

One Hundred and Third Report of Session 2017-19

Ministry of Housing, Communities and Local Government

Planning and the broken housing market

Introduction from the Committee

The planning system helps government and local authorities determine where and what type of new homes should be built. It also helps identify which geographical areas need to be protected or enhanced and assesses whether proposed developments are suitable and will benefit the economy and communities. The Department sets national policy for the planning system which is detailed in the National Planning Policy Framework. Its objective for housing is to "support the delivery of a million homes by the end of 2020 and half a million more by the end of 2022 and put us on track to deliver 300,000 net additional homes a year on average." Implementing that policy is largely devolved to local authorities that perform two functions: producing a local plan that sets out the location and types of houses to be built in their areas; and considering applications for housing developments. The Planning Inspectorate is an executive agency of the Department. It examines local authorities' local plans to check they are sound and meet legal requirements; and hears appeals against rejected planning applications.

Based on a report by the National Audit Office, the Committee took evidence on 29 April 2019 from the Ministry of Housing, Communities and Local Government. The Committee published its report on 26 June 2019. This is the Government response to the Committee's report.

Relevant reports

- NAO report: *Planning for new homes* – Session 2017-19 (HC 1923)
- PAC report: *Planning and the broken housing market* - Session 2017-19 (HC 1744)

Government responses to the Committee

1: PAC conclusion: *The Department has a highly ambitious target to deliver 300,000 new homes per year by the mid-2020s but does not have detailed projections or plans on how it will achieve this.*

1: PAC recommendation: *By October 2019, the Department should set out, in a single publicly-available document, the full set of actions it is taking to achieve the target of 300,000 new homes and include year-on-year projections for the number of new homes it expects to be*

1.1 The Government disagrees with the Committee's recommendation.

1.2 The Ministry of Housing, Communities and Local Government (the Department) is committed to be transparent about its objectives, and the progress towards achieving them. The Department publishes its Single Departmental Plan, which includes a strategic objective to increase housing supply and states how it is being achieved. The Department also publishes quarterly data on the progress towards achieving its ambition to raise net housing supply to 300,000 a year on average by the mid-2020s, and in meeting manifesto commitments.

1.3 The Government has set specific overall targets for how many homes certain programmes and spending will deliver but does not publish year-on-year projections of net housing delivery. The absence of budget certainty beyond the current Spending Review period means longer term projections are unreliable. In addition, the delivery of homes in a specific place depends upon the provision for them in the relevant local plan. As such, any top-down assessment of the risk to delivery for such houses will provide an incomplete picture.

1.4 External factors, such as other Government interventions or changes in the macro-economy, influence both the private sector investment decisions that underpin much of additional housing supply, and the measures implemented by the Department and Homes England. Predicting the effect of these factors is complex.

1.5 Furthermore, any models or projections published by the Department could be interpreted by the market as the expected path of future housing output. The model itself, as well as any changes or deviations, have the potential to impact on the market and have unwarranted effects on market output and confidence.

1.6 Therefore, while the impact of the Department's actions to achieve 300,000 homes is constantly reviewed, it is not used to inform an explicit forecasting tool, and it would not be helpful for the Department to publish its model.

2: PAC conclusion: ***Fewer than half of local authorities have an up-to-date local plan in place, despite the Department stressing the importance of a 'plan-led system' for development.***

2: PAC recommendation: ***By the end of 2019, the Department should write to us detailing what additional interventions it will make when local authorities fail to produce local plans. These interventions should include a range of 'carrot and stick' measures of support and penalties.***

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2019

2.2 The law is clear that local planning authorities, in consultation with local people, must set out the policies relating to the development and use of land in their area. To ensure plans are kept up-to-date, reviews should be completed no later than five years from the adoption date of a plan and take into account any changing circumstances that affect the area, or any relevant changes in national policy.

2.3 As of June 2019, 47% of local authorities had adopted a local plan in the last five years, 42% had adopted a plan more than five years ago and 11% had not yet adopted a plan under the provisions of the Planning and Compulsory Purchase Act 2004. After identifying 15 local authorities of particular concern in 2017, in January 2019, the Secretary of State took more direct action in two areas.

2.4 The Committee also raised the issue of local authority resource and capacity. The Department will publish an Accelerated Planning Green Paper later this year that will discuss how greater capacity and capability, as well as performance management and procedural improvements, can accelerate the end-to-end planning process.

2.5 The Department will write to the Committee explaining the actions it is taking to address the failure of local authorities to produce plans.

3: PAC conclusion: ***The Planning Inspectorate's performance is poor and detracts from efforts to deliver 300,000 new homes a year.***

3: PAC recommendation: ***By the end of 2019, the Department should set out for us detailed actions and milestones for the Planning Inspectorate's performance improvements across the full range of all its services.***

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2019

3.2 While it is widely recognised for delivering quality decisions, the Inspectorate has acknowledged that in many areas of its work it has been taking too long to make decisions.

3.3 Since 2017, the Department has provided the Inspectorate with additional funding to undertake a Transformation Programme, which will deliver improvements across people, process and IT platforms. In addition, in 2018-19 and 2019-20 and specifically to address performance failures resulting from an increased volume of casework, the Department had agreed in principle a further £13 million to fund a Performance Recovery Programme. Following discussion with the Inspectorate, we are all in agreement that they can deliver the agreed performance recovery targets with £11.5 million (£1.5 million in 2018-19 and £10 million in 2019-20). This has provided additional inspector resource to get performance back on track and the Inspectorate has confirmed it can deliver the clear targets to be met by the end of 2019 with this additional funding. Future budgets will be considered as part of the forthcoming Spending Round.

3.4 The Rosewell Review looked specifically at Planning Appeal Inquiries, and made 22 recommendations to speed up the inquiry process, such that all decisions are issued within 24-26 weeks by June 2020. The previous average was 47 weeks. An action plan to implement the recommendations of the Review was published by the Planning Inspectorate in May 2019, with periodic updates scheduled for September 2019, February 2020 and June 2020. The Inspectorate is making good progress on implementing the recommendations. The first two "post-Rosewell inquiries" were decided within 19-21 weeks.

3.5 The Department is confident that these three key initiatives of Transformation, Performance Recovery and Rosewell Review, together with other process improvements, will deliver the necessary performance improvements across the full range of the Inspectorate's work within this financial year. It will write to the Committee with a full update on the Planning Inspectorate's performance by the end of 2019.

4: PAC conclusion: ***The system to get contributions from developers to the cost of infrastructure is not working effectively, and too often favours developers at the expense of local communities.***

4: PAC recommendation: ***The Department should continuously monitor whether its reforms to the Community Infrastructure Levy and section 106 are having the impact that is necessary and adjust or adapt accordingly.***
It should update us by the end of 2019 on the impact of those reforms already in place, and on the progress of implementing those that were in development at the time of our evidence session.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2019

4.2 The Government introduced reforms to its viability policy through the revised *National Planning Policy Framework* in July 2018. These reforms sought to focus viability assessments on local authority plan making to: introduce standardised viability assessments; increase certainty for developers and communities and reduce delay; and increase transparency by making viability assessments publicly available.

4.3 In addition, the Government has brought forward legislative reforms to developer contributions which will take effect from September 2019, following Parliamentary approval in June 2019. These reforms will make it simpler to set and amend Community Infrastructure Levy (CIL) rates by removing preliminary consultation requirements, thus reducing the number of statutory rounds of consultation from two to one while ensuring that appropriate consultation is still undertaken. They will increase flexibility by removing restrictions which currently limit the use of Section 106 planning obligations for a single infrastructure project and prevent planning obligations from funding infrastructure also being partly funded by CIL. They will provide much greater transparency by aligning current reporting requirements for CIL with a new requirement to report annually on Section 106 contributions. Authorities will be required to publish annual Infrastructure Funding Statements on CIL and Section 106 revenue and expenditure from December 2020, which will allow communities to clearly see contributions collected and how they are used. The Department will continuously monitor the production of statements, including reporting on predicted receipts, and will consider bringing forward further changes (such as penalties) if local authorities are not producing statements or adequately fulfilling the aim of providing transparency.

4.4 The improved transparency requirements will enable improved reporting on the national picture and will aid the assessment of the impact of the reforms. The Department has produced a data format and digital tools to support local authorities with their new reporting requirements. The Government recommends that local authorities upload the information using its digital tools, and is exploring the development of a dashboard format, to make it easy for anyone to find and use the data.

4.5 It will be too soon by the end of this year to gauge the full impact of these reforms, but the Department has commissioned research on developer contributions which will provide an early indication by the end of 2019, and will then write to the Committee to update them.

5: PAC conclusion*: The Department acknowledges that it will need to sustain and increase the numbers of affordable housing built to help it achieve the target of 300,000 new homes but cannot say how many and what types of affordable homes are needed.*

5: PAC recommendation: *By October 2019, the Department should set out its expectations for the types, tenures, and amounts of affordable and social housing to be delivered and how this will contribute to the 300,000 new homes a year.*

5.1 The Government disagrees with the Committee's recommendation.

5.2 Affordable and social housing will be critical to meeting the Department's ambition to deliver 300,000 net additions every year by the mid-2020s. The Government aims to deliver approximately 250,000 new affordable homes by March 2022 through its £9 billion Affordable Homes Programme. The programme includes the following tenures: social rent, affordable rent, shared ownership and rent to buy. The Department has also made a further £2 billion available from 2022-9 to provide long term funding certainty for housing associations.

5.3 Responsibility for delivery is split between Homes England and the Greater London Authority (GLA). In London, the Department has set the GLA a target to deliver 116,000 homes by March 2022, of which at least 58,500 need to be low-cost home ownership units. The Department has also given the GLA flexibility to deliver social rent homes - the total number delivered will be decided by them. For the rest of England, it has set Homes England a target to deliver at least 130,000 affordable homes by March 2022, of which at least 12,500 need to be social rent homes in areas of high affordability pressure. The tenures of the remaining homes are flexible and can be decided by housing associations and Local Authorities to best meet local need.

5.4 The programme for Affordable Housing delivery beyond March 2022 will need to be decided as part of a future fiscal event.

5.5 The Government has also lifted the Housing Revenue Account borrowing cap that control Local Authority house-building, enabling Councils to increase house-building to around 10,000 homes per year.

5.6 Although the Government has set a target for the quantum of affordable housing delivered through its grant programmes, it does not set a target for how much overall affordable housing delivery will contribute to reaching 300,000 new homes a year. This is because a substantial portion of affordable housing delivery is outside of central Government's control. Decisions on the quantum, types and tenures of affordable housing required through Local Plans, and subsequently permissioned through the development management process, are a matter for individual Local Planning Authorities. It is also up to Local Authorities and Housing Associations to determine how much of their own funding to spend on affordable and social housing, including the most appropriate use for any contributions obtained from developers. The Department's reforms to developer contributions, as set out in its response to recommendation 4 above, will help in the provision of affordable homes.

6: PAC conclusion: We are concerned that the Department and local authorities are not doing enough to prevent poor build quality of new homes.

6a: PAC recommendation: By October 2019, the Department should set out how it will work with local authorities, developers, and other agencies on how they will prevent, penalise and compensate for poor residential build quality.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: October 2019

6.2 The Government is clear that the quality of new build homes must improve as the number of homes increases. The Department is taking several steps now to ensure that homes are safe and of a high standard.

6.3 At Spring Statement 2019, the Department committed to review permitted development rights for conversion of buildings to residential use in respect of the quality standard of homes delivered.

6.4 On 6 June 2019, the Department published ‘Building a safer future: proposals for reform of the building safety regulatory system – a consultation’. The consultation outlines proposals to take forward legislative reform for building and fire safety in higher-risk residential buildings, implementing recommendations made by Dame Judith Hackitt’s *Independent Review of Building Regulations and Fire Safety*.

6.5 On 26 June 2019, the Department published *Redress for purchasers of new build homes and the New Homes Ombudsman*. This consultation seeks views on the design and delivery of a New Homes Ombudsman. It also seeks views on whether a Code of Practice for developers should be underpinned in legislation and how requirements can be enforced. This builds on the proposals set out in the Government’s response (January 2019) to the consultation on “Strengthening Consumer Redress in the Housing Market” including the establishment of a new single Housing Complaints Resolution Service to streamline access to redress in housing.

6.6 Government responses to the Building Regulations and Consumer Redress consultations are scheduled for the Autumn 2019 and will set out how the Government will prevent, penalise and compensate for poor build quality. The Department will keep the Committee updated on these policy developments as they take place.

6b: PAC recommendation: ***When it releases the design guide, the Department should define what a sufficient quality of final build should look like.***

6.7 The Government disagrees with the Committee’s recommendation.

6.8 The revised *National Planning Policy Framework* (NPPF), published in July 2018, strengthened planning policy on design quality. It includes a dedicated chapter on ‘Achieving Well-Designed Places’ that makes clear that “permission should be refused for development of poor design”.

6.9 Planning practice guidance on Design is currently being produced to support the revised NPPF. The guidance will include a Design Manual setting out illustrated design principles and good practice and will be published in the autumn. The focus of the Design Manual will be achieving design quality of new homes and neighbourhoods through the planning system.

6.10 The Government’s view is that it would not be appropriate for the Design Manual to include a definition of build quality. Whilst the planning system encourages the use of robust materials and construction details that endure and age well, the quality of build and finish is not determined through the planning system. The planning practice guidance and Design Manual will set out how local planning authorities can ensure design quality which is about planning homes and places that: function well; are visually attractive; are sympathetic to local character; contribute to a strong sense of place; optimise the potential of a site; and are safe and inclusive.

6.11 However, the Government does agree that the build quality of new build homes must improve, and it is taking action as set out in its response to recommendation 6a above

One Hundred and Fourth Report of Session 2017-19

Department for Transport

Transport infrastructure in the South West

Introduction from the Committee

In its 2014 Road Investment Strategy the Department said it aimed to upgrade the entire A303 and A358 road corridor to dual carriageway standard over the next 14 years, through eight individual projects. It committed £2 billion to starting three of these projects, including the A303 between Amesbury and Berwick Down, by March 2020. The A303 and A358 road corridor has more than 35 miles of single carriageway, with high levels of traffic and slow and unreliable journeys. Congestion is highest on the section of road by Stonehenge. The Amesbury to Berwick Down (or 'Stonehenge tunnel') project involves building a tunnel of 3.3km (just over 2 miles) beneath the World Heritage Site at Stonehenge. The Department and Highways England expect the project to reduce congestion, improve the setting of the World Heritage Site and support economic growth in the South West of England. The Amesbury to Berwick Down project is still at an early stage of development, and Highways England has yet to begin procuring contractors. However, the Department and Highways England have undertaken extensive preliminary work on site and consultation with stakeholders, leading to an expected cost range of £1.5 billion to £2.4 billion (including VAT). The Department and Highways England expect the upgraded road section to be open to traffic by December 2026.

Based on a report by the National Audit Office, the Committee took evidence on 5 June 2019 from the Department for Transport. The Committee published its report on 3 July 2019. This is the Government response to the Committee's report.

Relevant reports

- NAO report: *Improving the A303 between Amesbury and Berwick Down* – Session 2017-19 (HC 2104)
- PAC report: *Transport infrastructure in the South West* – Session 2017-19 (HC 1753)

Government responses to the Committee

1: PAC conclusion: *If uncertainty about funding is not resolved before 2020, the timetable and viability of Stonehenge tunnel project will be put at risk.*

1: PAC recommendation*: The Department and Highways England must plan for what alternative funding arrangements or delivery plans it could put in place, in the event that HM Treasury does not confirm longer term funding by the end of the year.*

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented

1.2 The Department is currently considering alternative funding arrangements and delivery plans so that if funding certainty is not provided as expected, the Department will be able to take a decision on how to proceed at the appropriate time.

1.3 The Department and HM Treasury are committed to the development of this scheme, as shown by the submission of the Development Consent Order application in 2018 and the provision of funding for the project to make progress according to plan during 2019-20.

2: PAC conclusion: *It will be extremely challenging to deliver the South West road improvements to cost and time. The Department does not have a good track record in delivering major projects.*

2: PAC recommendation: ***The Department and Highways England should write to us in six months with an update on the Stonehenge tunnel and A358 projects, including updated cost estimates, risk assessments, and an up to date schedule and confirmation of the latest planned open to traffic dates.***

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2020

2.2 There is currently no change to the costs, schedule or Open for Traffic date for the A303 Stonehenge project, which continues to remain stable.

2.3 The preferred route announcement for the A358 Taunton to Southfields project was made in June 2019. However, due to the challenging value for money case for the scheme, it has been moved to the highest levels of Departmental governance. This will allow the value for the scheme to be considered by the Department and HM Treasury in the context of the A303 Stonehenge project and other key projects on the route.

2.4 The Department will write to the Committee in January 2020 with an update on the current status of the projects, including the schemes' latest cost estimates, risk assessments, schedules and Open for Traffic dates.

3: PAC conclusion: ***The Department and Highways England do not yet have a clear picture of what improvements they are expecting for the World Heritage Site and the surrounding area.***

3: PAC recommendation: ***Within 3 months the Department and Highways England should set out how they will be working with Historic England, English Heritage, the National Trust and wider stakeholders to develop plans for making the most of improvements to the World Heritage Site and local area, and set out when the public will be able to view these plans.***

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 Highways England (HE) continues to work closely with England Heritage, Historic England and the National Trust on the scheme, meeting regularly with the CEOs of these three organisations. HE is also facilitating the development of a joint vision of the opportunities the reunited landscape could offer visitors. This is due to be published in Spring 2020, when consent for the project is expected to be granted.

3.3 HE is working with key stakeholders to develop a programme of activity to maximise the benefits of the scheme for the World Heritage Site (WHS), local communities, the local economy and the environment. A Benefits Steering Group was established in 2018 and includes representation from the three organisations as well as Wiltshire Council, the WHS Co-ordination Unit, Natural England and the Environment Agency. To date, funding has been secured through HE's designated funds scheme to support delivery of three actions within the WHS Management Plan. This funding will deliver a Sustainable Tourism Strategy, a Sustainable Transport Strategy and a Landscape Access Strategy for the WHS, all of which will be delivered through Wiltshire Council. The scopes of these projects will shortly be approved by the WHS Partnership Panel, of which National Trust, English Heritage and Wiltshire Council are the three key partners. It is anticipated that this work will be complete, and the strategies published, by Spring 2020.

4: PAC conclusion: ***The Department and Highways England's piecemeal approach to upgrading the A303/A358 makes it more difficult to demonstrate value for money across the whole road corridor.***

4: PAC recommendation: ***The Department and Highways England should set out how assessment of business cases for individual projects will take account of benefits which depend on the completion of other projects which may or may not be subsequently approved.***

4.1 The Government agrees with the Committee’s recommendation.

Recommendation implemented

4.2 Current Departmental guidance requires each project to be justified in its own right. Other projects, which may affect the project in question, should be considered through the mechanism of the Uncertainty Log. This allows four levels of certainty to be given to other projects and recommends that those in the two categories of greater certainty are included in the core appraisal of a scheme. HE’s guidance states that any project identified in the Road Investment Strategy 1 (RIS1) programme should be included in the core Do-Minimum scenario when appraising any other specific project, as the RIS1 programme is defined within the two higher levels of certainty in the Uncertainty Log.

4.3 The A303 Amesbury to Berwick Down (Stonehenge) project, the A358 Southfields to M5 project and the A303 Sparkford to Ilchester project are included in RIS1, so are included in the core (Do-Minimum scenario) when appraising the A303 Stonehenge project. However, the other five projects along the A303 corridor are currently not in a RIS, so these are not included when appraising the A303 Stonehenge project.

4.4 It is possible that the combined impact of a programme of projects could be more, or even less, than the sum of the individual projects, and that commitment to an overall programme of projects could change the case for an individual project. HE continues to develop guidance on how to treat commitments to a whole programme of interacting projects, while individual projects within that programme remain uncertain and potentially unfunded. The target date for this approach to be clearly defined is March 2020.

5: PAC conclusion: ***The sub-national transport bodies in the South West are not yet mature enough to develop or implement an integrated transport strategy for the region.***

5: PAC recommendation: ***The Department should set out how it will support and monitor the development of sub-national transport bodies in their efforts to deliver an effective integrated transport strategy for the South West.***

5.1 The Government agrees with the Committee’s recommendation.

Recommendation implemented

5.2 Sub-national Transport Bodies (STBs) are made up of groups of local authorities, mayors and Local Enterprise Partnerships, as well as national transport infrastructure providers (e.g. Network Rail and HE) and the business community. They work to develop sub-national transport strategies, prioritising schemes for investment and, in certain areas, take on powers and responsibilities for delivering Government priorities (e.g. Smart Ticketing across the North).

5.3 Alongside Transport for London, seven STBs have now been formed to cover the whole of England. These are:

- Transport for the North
- Midlands Connect
- England’s Economic Heartland
- Transport for the South East
- Transport East
- Western Gateway
- Peninsula Transport

5.4 The Department holds policy responsibility for STBs, sponsoring each body with regular engagement and attendance at their Boards. In 2018, the Government established Transport for the North on a statutory basis. In June 2019, the then Secretary of State for Transport wrote to the six other STBs and committed to continuing to work with them on a non-statutory basis.

5.5 The Government sees STBs having an important role in developing strategic transport plans and advising on investment decisions according to regional priorities. The Department will continue to work closely with STBs to support them in developing these plans.

6: PAC conclusion: ***While the government is committed to building a new sea wall at Dawlish and other elements of the South West Rail Resilience Programme, there remains much to be resolved in respect of the nearby work required to protect the railway line.***

6: PAC recommendation: ***The Department should write to us by the end of December 2019 with an update on progress with the South West Rail Resilience Programme, how it is working to resolve any local disagreements and the latest schedule for completion.***

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2019

6.2 Work on constructing a new sea wall at Dawlish commenced on site in June 2019. The project will be undertaken in two phases. The first phase, which is underway, will build a new wall between Boat Cove and the Colonnades, immediately west of Dawlish station. Completion is expected early in 2020. Detailed design work for the second phase is currently underway, to build a new wall from the Colonnades eastwards past the station. Network Rail has recently undertaken public consultation on proposals for further resilience measures towards Teignmouth.

6.3 The Department will write to the Committee in December 2019 with an update on progress and the latest scheduled date for completion of the new sea wall.

One Hundred and Fifth Report of Session 2017-19

Ministry of Housing, Communities and Local Government

Local Enterprise Partnerships: progress review

Introduction from the Committee

Local Enterprise Partnerships (LEPs) are private sector-led partnerships between businesses and local public sector bodies. There are 38 LEPs in England, each supporting the delivery of government policies to support local economic growth. The government has committed £12 billion in local growth funding to local areas in England between 2015–16 and 2020–21, and of this £9.1 billion has been allocated through Growth Deals negotiated between central government and individual LEPs. The Department is accountable overall for the Local Growth Fund and the delivery systems within which LEPs operate and invest public funds. The Department considers LEPs are key to developing local industrial strategies which will be used as a gateway for accessing future funding after the UK exits the European Union, through the proposed UK Shared Prosperity Fund.

Based on a report by the National Audit office, the Committee took evidence on 13 May 2019 from the Ministry of Housing, Communities and Local Government. The Committee published its report on 5 July 2019. This is the Government response to the Committee's report.

Relevant reports

- NAO report: *Investigation into the governance of Greater Cambridge Greater Peterborough Local Enterprise Partnership* – Session 2017-2019 (HC410)
- PAC report: *Local Enterprise Partnerships: progress review* – Session 2017-2019 (HC1754)

Government responses to the Committee

1: PAC conclusion: ***Despite spending up to £12 billion of taxpayers' money, the Department has no real understanding of the impact which the Local Growth Fund has had on local economic growth.***

1: PAC recommendation***: In the absence of national evaluation, the Department should use the performance data it receives from LEPs to build a national picture of what is working most effectively in boosting growth and use this to inform the design and plans for evaluation of the UK Shared Prosperity Fund.***

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2019

1.2 The Ministry of Housing, Communities and Local Government (the Department) maintains oversight of the Local Growth Fund by receiving quarterly performance data from LEPs and uses this to inform assessments of delivery as part of its annual assurance process. This process consists of compliance checks, annual performance reviews (APRs) and deep dives. The Department is already in the process of using this information to help shape the development of the UK Shared Prosperity Fund.

1.3 The UK Shared Prosperity Fund will target the challenges faced by places across the country and its investment will be supported by strong evidence about what works at the local level. The need to continue to build this strong evidence base is informing our design and plans for the evaluation of the UKSPF. Details and operation of the fund are due to be announced after 2019 Spending Round.

2: PAC conclusion: ***The Department has improved the assurance framework for LEPs but there is a long way to go before all LEPs are held to account and their work scrutinised effectively.***

2: PAC recommendation: ***The Department should set out how it is going to assess local capacity to scrutinise LEPs' activities and how it will facilitate LEPs' accountability to their local areas.***

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: October 2019

2.2 In the *National Local Growth Assurance Framework* published in January 2019, the Government set out a requirement for LEPs to adopt local scrutiny arrangements to ensure that decisions have the necessary independent and external scrutiny in place. *Strengthened Local Enterprise Partnerships*, (July 2018) Government also set out a new requirement for LEPs to hold Annual General Meetings open to the public to ensure the communities that they represent can understand and influence the economic plans for the area. These steps, alongside additional public documentation such as Delivery Plans and End of Year Reports, are increasing LEP accountability to their local areas.

2.3 In Strengthened Local Enterprise Partnerships, the Government stated that it would commission independent research to better understand the capability and capacity of LEPs. The research started in February 2019 and will provide further insights into the extent to which LEPs are engaging with local authority scrutiny. The Department will also engage with the local government sector to explore in more detail their experience of LEP scrutiny and will then determine whether further actions are required. Following completion of these two pieces of work, the Department will write to the Committee to update it on the results and outlining next steps.

3: PAC conclusion: ***There are entrenched difficulties with LEPs' overlapping geographical boundaries which are supposed to be resolved by April 2020.***

3: PAC recommendation: ***The Department should set out a clear timetable showing how it will meet the April 2020 deadline and what action it will take if local authorities fail to agree on overlapping boundaries.***

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2020

3.2 In Strengthened Local Enterprise Partnerships, Government announced that each LEP must remove its overlaps by April 2020 and submit a proposal to Government on its geography by the end of September 2018. The Department stated in this announcement that it was for LEPs, working closely with local stakeholders, to reconfigure their geographies in order to meet the future roles and responsibilities.

3.3 Following proposals from each LEP on 28 September 2018, 24 of 38 LEPs had no overlapping geographies. This was because they either never existed or because they had jointly proposed to remove their overlaps. Following a series of meetings and agreements facilitated by the Department, a further nine local solutions were agreed, meaning there are now 33 of 38 LEPs without overlaps. There are now only two areas of the country where overlapping geographies remain, the West Midlands (Stoke-on-Trent and Staffordshire, Worcestershire, Greater Birmingham and Solihull LEPs) and on the Humber (Humber and Greater Lincolnshire LEPs).

3.4 The Department will continue to facilitate local agreement to a solution through collaboration agreements which set out how areas will work together once the overlap is removed. The Department is withholding additional capacity funding from LEPs which still have overlaps and has stated publicly that it will restrict access to future funding if overlaps are not resolved.

4: PAC conclusion: ***LEP boards are not yet sufficiently representative of their local areas.***

4: PAC recommendation: ***Within the next 12 months, the Department should work with LEPs to agree a broader set of diversity targets for LEP boards. This should include targets that reflect the makeup of local businesses in their areas.***

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2020

4.2 Through Strengthened Local Enterprise Partnerships, the Government set all LEPs challenging targets to improve the representativeness of their Boards. All LEPs are working towards the target of boards being one-third women by 2020 and equal male/female representation by 2023. The Department also set out its expectation that all LEPs would move to a board structure where two-thirds of members are from the private sector. To strengthen transparency the Department also requires LEPs to publish a diversity statement on their website explaining how the LEP will ensure representation at board and sub-board level which is reflective of their local business community (including geographies, gender and protected characteristics).

4.3 The Department will look to LEPs to ensure that they understand the makeup of businesses in their area and where necessary put in place steps to ensure that their board represents this diversity. We will hold LEPs to account for this through our annual assurance processes.

5: PAC conclusion: ***LEPs continue to underspend their funding allocation each year, calling into question their capacity to deliver complex projects.***

5: PAC recommendation: ***The Department should write to us within three months to set out the results of its analysis of LEP capacity and how it will use this information to improve LEPs' delivery of complex projects.***

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: October 2019

5.2 In Strengthened Local Enterprise Partnerships, Government stated it would commission an independent benchmarking of the capability and capacity of LEPs against best practice, so that performance requirements match resources available. This research started in February 2019 and the Department now expects the results of this study to be submitted in early September 2019. Once the results of this study are available, the Department will write to the Committee setting out the results and outlining next steps.

6: PAC conclusion: ***There is a risk that funding allocated on the basis of local industrial strategies may not go to areas with the greatest need.***

6: PAC recommendation: ***The Department should support LEPs to develop robust local industrial strategies based on the economic need of their areas and clearly set out how they will ensure a balance between supporting both high performing areas and areas which are lagging behind.***

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2020

6.2 Government is working with all places, through the Cities and Local Growth Unit (MHCLG / BEIS) to develop Local Industrial Strategies. These are developed locally and agreed with Government.

6.3 Government's policy prospectus, published in October 2018, set out the objectives, policy rationale and approach to developing Local Industrial Strategies. Strategies should:

- set out a robust and open evidence base;
- build on distinctive local strengths and address any local weaknesses across the foundations of productivity;
- prioritise specific, achievable and long-term ambitions;

- make clear how mayoral combined authorities (MCAs) and LEPs will work in partnership with public and private stakeholders to achieve these; and
- establish clear plans to evaluate progress;
- help guide the strategic use of local funding streams and act as a gateway to any future local growth funding being deployed through LEPs; and
- remain strategic documents, not containing any proposals that require new funding outside of existing budgets.

6.4 The Government initially worked with a small number of trailblazer areas (West Midlands, Greater Manchester and partners across the Oxford-Cambridge Arc).

6.5 In July 2018, the Government then committed to aim to agree Local Industrial Strategies with all MCAs / LEPs by early 2020. The Government is working with a range of partners, including universities, think tanks and business representative organisations to ensure policy development is informed by latest thinking and international best practice. This has included work with the What Works Centre for Local Economic Growth and the Local Government Association.

6.6 The Government has published seven Local Industrial Strategies so far; the West Midlands Local Industrial Strategy on 16 May 2019; the Greater Manchester Local Industrial Strategy on 13 June 2019; the Oxford-Cambridge arc Local Industrial Strategies, consisting of Buckinghamshire, Cambridgeshire & Peterborough, Oxfordshire and South East Midlands, as well as that of the West of England, were published on 19 July 2019.

One Hundred and Sixth Report of Session 2017-19

Department for Transport

Eurotunnel and the UK border: out-of-court settlement with Eurotunnel

Introduction from the Committee

We have been examining the government's preparedness for Brexit since 2017. Our reports have expressed concern about the pace of progress. This remained a key concern when we took evidence from the Department for Transport (the Department) on their out-of-court settlement with Eurotunnel and their preparations for October.

During autumn 2018, the government updated its planning assumptions relating to goods crossing the border should no deal be agreed with the EU. The worst-case assumption, agreed across government, was that the normal flow of goods across the short channel crossings could be reduced by up to 87% for as long as six months. In December 2018 the Department procured additional ferry capacity to assist with the movement of essential goods if the UK left the EU in March 2019 with no deal. To ensure that services would be in place in time, the Department took an unusual and risky approach to procurement. This procurement was subject to legal challenge by Eurotunnel, which had not been invited to bid. Rather than risk losing a legal case, which may have resulted in the court cancelling the ferry contracts ahead of 29 March 2019, the Department reached a £33 million out-of-court settlement with Eurotunnel. As part of the settlement Eurotunnel agreed to spend £33 million on certain types of project relating to the Channel Tunnel site's infrastructure, including security and border preparedness measures. On 24 April 2019 P&O Ferries began a legal challenge against this settlement on the grounds of, amongst other things, breach of procurement law.

The date for the UK to leave the EU has been extended from 29 March 2019 to 31 October 2019. On 1 May 2019, the Department announced that it had cancelled its ferry contracts with DFDS and Britanny Ferries. Departments now need to prepare for the new EU Exit date.

Based on a report by the National Audit Office, the Committee took evidence on 5 June 2019 from the Department for Transport. The Committee published its report on 10 July 2019. This is the Government response to the Committee's report.

Relevant reports

- NAO memorandum: *Out-of-court settlement with Eurotunnel*
- PAC report*: Eurotunnel and the UK border: out-of-court settlement with Eurotunnel* – Session 2017-19 (HC 2460)

Government responses to the Committee

1: PAC conclusion: *Momentum appears to have slowed in Whitehall, with preparations for the UK leaving the EU on 31 October not happening quickly enough.*

1: PAC recommendation*: The Government must ensure that departments urgently step up their preparations on the assumption that the UK could be leaving the EU on 31 October and be ready to implement them.*

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented

1.2 The 31 October 2019 remains the date in law when the UK will leave the EU. The preference is to leave the EU with a deal but if that is not possible, the UK will leave with no deal.

1.3 In late July 2019, the Government made 'no deal' planning its central focus. Over 300 work streams looking at specific 'no deal' plans across a range of sectors are now well advanced, but there remains further work to do. The Government has intensified its planning both to ensure Government readiness and to support and encourage businesses and citizens to be ready. The Government is assigning all resources needed to ensure that there is as little disruption as possible. On 3 September, the Chancellor of the Duchy of Lancaster made a statement in the House of Commons about preparations for the UK's departure from the European Union, the transcript of which is available on GOV.UK.

1.4 Two new Cabinet Committees have been set up - EU Exit Strategy (XS) and EU Exit Operations (XO) - to discuss negotiating strategy and make operational decisions about Brexit respectively. XO meets every working day to expedite preparations for exit.

1.5 The Government has launched a public information campaign, 'Get Ready for Brexit', to set out what citizens and businesses need to do to prepare for Brexit. It targets five audience groups aligned to key policy strands (businesses, UK citizens, UK nationals in the EU, EU citizens in the UK, and recipients of EU funding) and the specific actions these audiences need to take. The campaign will run across television, radio, social media, billboards and other platforms and aims to drive audiences to GOV.UK for more detailed information.

2: PAC conclusion: ***The Department for Transport's rushed procurement of ferry freight capacity resulted in it taking excessive risks and has cost the taxpayer an extra £33 million on top of the £51.4 million it paid to cancel the contracts***

2: PAC recommendation: ***The Department for Transport should set out within weeks what it has learnt from this procurement to ensure it does not expose the taxpayer to unnecessary risk and excessive cost in the future and particularly in its preparations for 31 October.***

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented

2.2 The key lesson from the previous procurement was that the time taken to secure cross-Government approval to contract for freight capacity resulted in insufficient time to conduct a process under the normal procurement processes. As a result a process with higher legal risk was pursued. This lesson has been fully reflected in the current procurement exercise which was commenced on 28th June 2019.

2.3 Additionally, in April 2019, the Department's Maritime Directorate performed a 'Lessons Learnt' exercise that considered the full freight capacity programme from procurement, to contract management and operation, and finally to termination. This exercise involved individual and group interviews with over 40 people, both within the Department and across Government, who were involved in the project. The lessons learnt exercise also included feedback from the two Infrastructure and Projects Authority reviews that were conducted in January and February 2019. All participants noted that the pace required of the programme to deliver freight capacity for 29 March 2019 meant that the programme was very challenging in nature. However, the programme team, with support from across Government, did successfully deliver operational freight capacity for priority goods from the initial planned EU exit day.

2.4 The lessons learned exercise identified key themes:

- Project Management: the pace and novel nature of the programme meant that governance structures and processes had to be established very rapidly from a standing start.

- Resourcing: similarly, resources needed to be redeployed rapidly from other work to support the freight capacity programme including from wider Government redeployments.

- Communications: the high visibility of the procurement resulted in intense media scrutiny and hence the need for a robust and proactive media strategy.

All of these lessons have been fully incorporated in the current procurement for freight capacity.

2.5 More generally and importantly, the current procurement is very different in nature from the last one. A framework approach has been adopted which provides a more flexible method of procurement with capacity being provided on a call off basis. No payments will be made to freight operators until freight capacity is “called off” from the framework. This approach has been adopted to secure value for money.

3: PAC conclusion: ***We are not convinced that the Department has secured any additional benefit from its £33 million settlement with Eurotunnel.***

3: PAC recommendation: ***The Department should report back on how Eurotunnel commits the £33 million and what these projects will deliver.***

3.1 The Government agrees with the Committee’s recommendation.

Recommendation implemented

3.2 Eurotunnel is obliged to spend the £33 million received in its settlement to implement projects to develop, enhance and upgrade the Channel tunnel site’s infrastructure to adapt to the greater complexities at the border following the UK’s departure from the EU and/or to support longer term resilience in the light of the significant, continuing importance of the Channel tunnel in the transport of critical goods. Full details are set out in *Appendix 4 of the Settlement Agreement*.

3.3 The Settlement Agreement already sets out Eurotunnel’s obligation to provide an audited report to the Secretary of State for Transport (in each reporting period) setting out details of what Eurotunnel has committed or spent the money on, details of each project it has commissioned, commenced or is ongoing and an explanation as to how that meets its obligations under (1) in Appendix 4. These will be prepared over the course of 2019–22, with the last to be prepared by 31 May 2023.

3.4 Within one month of receiving the report, the Secretary of State for Transport shall issue an opinion setting out the Government’s assessment as to Eurotunnel’s compliance with its obligations under Appendix 4. The Government will publish a summary of these reports.

One Hundred and Seventh Report of Session 2017-19

Ofwat, Ofgem, Ofcom and the Financial Conduct Authority

Consumer Protection

Introduction from the Committee

Access to good quality and affordable water, energy, communications and financial services is essential for people to live and function in modern society. In 2017, UK households spent a total of around £140 billion purchasing these services mostly from private companies. The characteristics of some markets mean that, left to their own devices, they risk failing to meet the needs of consumers or other areas of public interest, such as the environment. Each sector is therefore overseen by a regulator to ensure that services are provided in a way that protects consumers and meets public policy objectives. The four main regulators of these sectors — Ofwat, Ofgem, Ofcom and the Financial Conduct Authority (FCA), respectively — were set up to be directly accountable to Parliament, and each has a primary statutory duty to protect the interests of consumers.

Based on a report by the National Audit Office, the Committee took evidence, on 20 May from Ofwat, Ofgem, Ofcom and the Financial Conduct Authority. The Committee published its report on 12 July. This is the Government response to the Committee's report.

Relevant reports

- NAO report: *Consumer Protection* - Session 2017-19 (HC 11992)
- PAC report: *Regulating to protect consumers in utilities, communications and financial services markets*– Session 2017-19 (HC 1752)

Regulators' responses to the Committee

The Government supports the approach taken by the Regulators (the Financial Conduct Authority (FCA), Ofcom, Ofgem, and Ofwat) in response to each of the PAC's recommendations.

The responses that follow reflect the joint position of the Regulators.

1: PAC Conclusion: *Consumers are facing serious problems with accessing essential services: affordability constraints, difficulties accessing the best deals, and confusing and often incomprehensible bills*

1.1 The Regulators note the Committee's conclusion.

2: PAC Conclusion: *The regulators take different and often inconsistent approaches to common consumer issues, and are not fully utilising the mechanisms they have to collaborate to produce tangible benefits*

2a: PAC recommendation*: The four regulators should develop a mechanism for working together to develop consistent approaches to common problems for consumers across all four sectors, developing joint strategies where appropriate.*

2.1 The Regulators agree with the Committee's recommendation.

Target implementation date: N/A

2.2 The four regulators recognise that working collaboratively can deliver significant benefits for consumers. The UK Regulators Network (UKRN) remains the most appropriate mechanism for the regulators to deliver the recommendation of the Committee. It is already in existence and has recently received additional funding from its members. It can draw on the experience and knowledge of these 13 regulators from the UK's utility, financial and transport sectors – including the recently joined Information Commissioner's Office and The Pensions Regulator – going beyond the four subjects of the Committee's report.

2.3 Ofwat, Ofgem, Ofcom and the FCA have been active members of the UKRN since it was established in 2014 and play a significant role in its operation and output. Chief Executives and senior representatives from the regulators meet frequently throughout the year and liaise regularly outside of these meetings on common issues affecting their sectors. In addition, subject matter experts from the regulators meet and share knowledge and expertise through the UKRN's networks and contribute to and lead projects in UKRN's work plan, which have a significant focus on protecting consumers. Examples of joint projects that regulators are contributing to are detailed in response to recommendation 2a below.

2.4 Regulators recognise that increasingly, challenges faced by consumers would benefit from cross sectoral consideration and joined up action. As such, Ofwat, Ofgem, Ofcom and the FCA all supported the recent increase in UKRN membership fees to increase the organisation's capacity, and support the necessary resourcing arising from UKRN's 2019-20 workplan. Members from all four regulators have been seconded to the UKRN Secretariat and there are currently staff from Ofgem, Ofcom and the FCA on secondment at the UKRN Office. The current UKRN Chief Executive is from Ofcom and his predecessor was from Ofgem. Regulators remain committed to collaborative working through the UKRN.

2.5 In addition to the UKRN, regulators recognise that there are other important vehicles for regulatory collaboration. For example, the Consumer Forum, chaired by the Department for Business, Energy and Industrial Strategy, brings together government departments, regulators and competition authorities to address cross-sector issues and identify where government and regulators could act. Regulators will continue to engage with the Consumer Forum, and other forums, to improve outcomes for consumers.

2.6 Regulators will continue to work to identify opportunities to further develop collaborative approaches to improve consumer outcomes using these forums.

2b: PAC recommendation*: Each of the regulators should write to us by the end of 2019 explaining the specific joint projects they expect to complete and what metrics they are using to measure the impact on consumers' lives*.

2.7 The Regulators agree with the Committee's recommendation.

Target implementation date: December 2019

2.8 The regulators will write to the Committee by the end of 2019 setting out their full responses to this recommendation.

2.9 The regulators are already working together to deliver several joint projects to better protect consumers. The *UKRN annual report and work plan for 2019-20* (published on 3 July 2019) provides details of these projects, for this year, with a particular focus on vulnerable consumers and increasing collaboration on infrastructure and investment.

2.10 Following the publication of the *Consumer Green Paper* in 2018, Ofwat, Ofgem, Ofcom and the FCA agreed to deliver, via UKRN, a number of specific projects to address common issues experienced by vulnerable consumers in regulated markets.

2.11 The regulators have recently provided advice and delivered improvements on cross-sector policy related to powers of attorney for vulnerable consumers[1]. Powers of attorney are a valuable tool that help some of our country's most vulnerable people have their affairs managed before or when they have lost mental capacity. The regulators are exploring how minimum standards could promote good practice so that vulnerable consumers can better understand what to expect from their regulated providers and experience greater consistency of treatment. A publication setting out how regulators will be taking this forward will be published later in the year.

[1] https://www.ukrn.org.uk/wp-content/uploads/2019/05/OPG18-UKRN-guidance-final-20190502.pdf

2.12 Following on from a statement in the 2018 Budget Statement regulators committed, as part of the 2019-20 UKRN workplan, to resource a new cross-sector vulnerability project to identify common issues for vulnerable consumers and to understand what interventions could be implemented across sectors to achieve better outcomes for vulnerable consumers. This project consists of three parts. Part one which has already started will bring together existing activity and thinking on vulnerability across the different sectors to ensure that regulators build on rather than duplicate work that has already been done. Part two will bring together the insight gained from consumer research across sectors to see what regulators can learn about how issues might map across sectors. Part three will seek to understand what interventions work to improve outcomes for consumers in vulnerable circumstances and how these can be implemented across sectors. It will include a focus on the role of smart data and AI.

2.13 In addition, Ofgem and Ofwat are working through UKRN to support water and energy companies in their work on a data sharing project to ensure that their regulated companies are better able to identify and support consumers in vulnerable circumstances. Energy and water companies are continuing to work together to deliver priority services data sharing between energy networks and water companies across England and Wales . Ofcom is also currently working closely with the UKRN and telecoms companies to explore the feasibility of extending this work to the telecoms sector.

2.14 Because vulnerability does not always manifest in the same ways in each of our regulated sectors, the regulators may sometimes judge it best to take differentiated approaches to ensure the best outcomes for vulnerable consumers of regulated goods and services.

2.15 On measurement of the impact of the regulators' work on consumers, it is important that each sector has appropriate metrics. There will be some metrics which are common across sectors, and there will be some which are sector specific. There is work underway to develop metrics to measure customer experience across the water, energy, telecoms and financial services sectors. In addition, UKRN has been working with the FCA, Ofcom, Ofgem, Ofwat and the Consumer Council for Water to develop a set of performance scorecards, bringing together key metrics to highlight the customer experience across these sectors. A *progress note* summarising work undertaken so far and planned next steps was published in July 2019, highlighting the collaborative approach taken by regulators. It is intended that the first 'performance scorecards' will be published by the end of 2019.

3: PAC Conclusion: *Government and regulators need to work more closely together to overcome barriers to effectively protecting consumers.*

3a: PAC recommendation*: Using the mechanism outlined in recommendation one, the four regulators and their relevant policy departments should work together to identify and where possible address legal or policy barriers to protecting consumers.*

3.1 The Regulators agree with the Committee's recommendation

Target implementation date: N/A

3.2 Regulators and the UKRN are working with Government, both via the Consumer Forum and directly with relevant policy departments, to identify legal and policy options that could benefit consumers in their sectors. One area of interest is around data sharing, which the Committee references in its report (see recommendation 3a(c)).

3.3 The UKRN's legal knowledge sharing network links to the Committee's recommendation 3. The legal network already has experience in considering issues from a cross regulatory perspective. On request from the UKRN CEOs group, it has, for example, conducted *a high-level* review of the appeals and redeterminations mechanisms of UKRN regulators and the Competition and Markets Authority (CMA), to consider whether they could be improved or streamlined.

3b: PAC recommendation*: Based on the joint work on legal and policy barriers, each regulator should write to us by the end of 2019 outlining the approach they have taken and work done with their relevant policy departments. Specifically:*

(a) Ofwat should update us on the work they have done into introducing an independent ombudsman in the water sector;

(b) Ofgem should update us on how they will approach the question of how to fund decarbonisation; and

(c) All regulators should update us on work done to identify what legislative changes would be appropriate to enable better data sharing.

3.4 The Regulators agree with the Committee's recommendation.

Target implementation date: December 2019

3.5 The regulators will write to the Committee by the end of 2019 setting out their full responses to this recommendation.

3.6 Ofwat continues to explore potential improvements in the consumer landscape in water, especially in the complaints process, where there is some evidence that customers find that the complaints journey too confusing and the process too slow to pursue worthwhile complaints. It may be that the current adjudicator model used by Water Redress Scheme (WATRS) is not suitably accessible for all customers, and that access to redress could be made more user-friendly. Ultimately, any changes to the consumer landscape in water are a question for the Government, and we will continue to work with Defra, the Consumer Council for Water, and other interested parties to consider the best approach to delivering improvements.

3.7 On 12 June 2019, the Government announced that HM Treasury will lead a review into the costs of decarbonisation. This will consider how to achieve the transition to net zero in a way that works for households, businesses and the public finances. It will also consider the implications for UK competitiveness. Separately, Ofgem recently published its strategic narrative setting out its medium term approach for 2019-2023. One of the three priorities listed was to decarbonise to deliver a net zero economy at the lowest cost to consumers. Ofgem will set out in more details how it plans to support decarbonisation in January.

3.8 The Chief Executive of the UKRN, Jonathan Oxley, has written to the National Infrastructure Commission on the issue of data sharing. Currently, there are significant constraints on the extent to which regulators are able to share relevant consumer and industry data with each other. This can inhibit regulators' ability to understand and improve the consumer experience across the markets they regulate, and to take a holistic look at infrastructure. The UKRN has asked the Government to review and, if appropriate, amend the regulators' data sharing powers to allow regulators to share relevant data with each other, taking account of both privacy, security and commercial sensitivity concerns.

4: PAC Conclusion: *Regulators are not clear enough about what they are trying to achieve for consumers.*

4. PAC Recommendation*: Each regulator should set out, by the end of 2019, more specific, measurable, and understandable aims for consumer outcomes in their sector. Where quantitative success measures are not appropriate, regulators should articulate why this is the case and how they plan to measure progress*

4.1 The Regulators agree with the Committee's recommendation.

Target implementation date: December 2019

4.2 The regulators will write to the Committee by the end of 2019 setting out their full responses to this recommendation.

4.3 Regulators are looking at how they can develop their approach to measuring consumer outcomes, and how these can be communicated more clearly in publications such as work plans and annual reports.

5: PAC Conclusion*: The regulators do not yet have a good enough understanding of their own impact and effectiveness in protecting consumers.*

5a: PAC Recommendation*: Regulators should work together to develop common principles and methodological approaches to measuring their effectiveness and impact on consumers*

5.1 The Regulators agree with the Committee's recommendation.

Target implementation date: December 2019

5.2 To foster closer working on how best to measure outcomes for consumers, following the publication of the National Audit Office's report on consumer protection in March 2019, the regulators have initiated a quarterly roundtable to share information and progress updates, discuss good practice and avoid duplication. The FCA has also shared its approach to evaluation with other regulators, including Ofgem, Ofcom and Ofwat and has been liaising with them regularly. They have begun to discuss common principles and by the end of 2019 will provide an update on their progress.

5b: PAC Recommendation: *Each regulator should write to us by the end of 2019 setting out the progress they have made on this and how their understanding of the consumers they serve has improved.*

5.3 The Regulators agree with the Committee's recommendation.

Target implementation date: December 2019

5.4 The regulators will write to the Committee by the end of 2019 setting out their full responses to this recommendation.

5.5 As an example of bilateral work in this area, Ofcom has been working with the FCA to learn about its approach to driving value for money and measuring outcomes, which was identified in the NAO's report as an example of good practice in these areas. In addition, staff secondments between both organisations complement this knowledge sharing.

6: PAC Conclusion*: Regulators' publicly available information is not sufficiently useful or accessible for consumers and other stakeholders.*

6a: PAC Recommendation: *Each regulator should take steps to enhance the clarity and transparency of publicly available information, including annual reports, and the usability of their websites.*

6.1 The Regulators agree with the Committee's recommendation.

Target implementation date: N/A

6.2 The regulators ensure their publicly available information is user-friendly and gives consumers a range of options to access this information according to their needs. The regulators are all committed to using plain-English in their consumer communications. The FCA's website for example was awarded a Clear English gold standard award from the Plain Language Commission. Some other examples of how regulators are making their information more accessible and engaging include: publishing explanatory videos with transcripts on their websites and offering alternative formats on request, producing podcasts, publishing digital annual reports that are easy to navigate, and using infographics, animations and interactive formats to help consumers explore and understand data publications more easily. Additionally, as public sector bodies, the regulators are working to ensure they meet the requirements of the *Web Content Accessibility Guidelines (WCAG) 2.1*.

6.3 The regulators are also part of the UKRN digital network and use this forum to share best practice across the network of regulators.

6b. PAC Recommendation: ***Each regulator should report back to us by the end of 2019 on the action they have taken to make their public information more accessible and engaging***

6.4 The Regulators agree with the Committee's recommendation.

Target implementation date: December 2019

6.5 The regulators will write to the Committee by the end of 2019 setting out their full responses to this recommendation.

6.6 The regulators always consider ways to improve the transparency and accessibility of their publicly available information and will update the Committee about their ongoing work.

One Hundred and Eighth Report of Session 2017-19

The Home Office

Emergency Services Network: Further Progress Review

Introduction from the Committee

In 2015, the Home Office (the Department) set out to replace the Airwave radio system, which is currently used by all 107 emergency service organisations in England, Scotland and Wales to communicate in the field. The replacement system, the Emergency Services Network (ESN), is intended to be as least as good as Airwave, add 4G mobile data capabilities and be far cheaper. The Department is responsible for the delivery of the ESN programme, which is also co-funded by the Department of Health & Social Care, the Scottish and Welsh Governments, and the organisations that will use it. In 2015, the Department awarded contracts for the main parts of ESN to EE and Motorola and appointed KBR to be the Department's delivery partner. ESN was due to be completed by December 2019 at which point Airwave, owned by Motorola since 2016, would be turned off.

In September 2018, the Department announced that it would reset ESN and would launch it in several stages. This involved changes throughout the programme, including a renegotiation of contracts with EE and Motorola and delaying the point at which ESN is expected to replace Airwave to December 2022. The cost of building and running ESN until 2037 is now expected to be £9.3 billion, an increase of £3.1 billion since the 2015 business case.

Based on a report by the National Audit Office, the Committee took evidence, on 22 May 2019 from Sir Philip Rutnam, Permanent Secretary, Stephen Webb, Senior Responsible Owner, Emergency Services Mobile Communications Programme, Home Office and Joanna Davinson, Chief Digital, Data and Technology Officer, Home Office. The Committee published its report on 17 July 2019. This is the Government response to the Committee's report.

Relevant reports

- NAO report: *Progress delivering the Emergency Services Network,* Session 2017–19, (HC 2140)
- PAC report: *Emergency Services Network, Further Progress Review,* Session 2017-19 (HC 1755)

Government responses to the Committee

1: PAC conclusion: ***Despite extending the Emergency Services Network (ESN) by 3 years and increasing its budget by £3.1 billion, the Department has still not got a grip on whether it can deliver the programme.***

1: PAC recommendation*: The Department should set out, by October 2019 a detailed, achievable, integrated programme plan including a realistic date for turning off Airwave and the cost of any extension of Airwave that may be needed and update the Committee when this plan is ready.*

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2019

1.2 A number of activities are underway to finalise the integrated programme plan. This will take account of the most up-to-date developments including the Change Authorisation Notices (CANs) now signed with both Motorola and EE and progress in delivering the early ESN products. One of the key uncertainties in the integrated plan is users' own proposed deployment plans, which will determine whether the 27 to 39 months allowed for in the plan is adequate. Discussions on the users' deployment plans are now well advanced to determine the most viable approach to ESN deployment. It is important to be clear that December 2022 is the earliest date at which Airwave is expected to be replaced by ESN. It is not a target date.

1.3 The updated integrated programme plan will then inform the financial model for the Department's Full Business Case (FBC). This will clearly set out the underlying assumptions.

2: PAC conclusion: *An unhealthy, 'good news' culture in the Department meant it failed to heed warning signs that the programme was undeliverable.*

2: PAC recommendation: The Department should write to the Committee by October 2019 setting out the steps that it has taken to: improve senior oversight of the programme; ensure assumptions are subject to appropriate challenge; and to make sure the findings of independent assurance reviews are widely shared and taken seriously.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: October 2019

2.2 The Department is reviewing ESN's governance and management structure to ensure it will support the ramp up phase of delivery. Parts of the new governance structure have been implemented following consultation with the suppliers, users and the funding sponsoring bodies. Senior oversight is being strengthened as part of this review.

2.3 The Independent Assurance Panel has been established, with senior representatives with a wealth of experience of major programmes and the telecoms sector to assist the Department. The panel have agreed a programme of work based upon the challenges currently being faced by the introduction of ESN. Any outcomes from these reviews will be disseminated across the Department and other funding organisations and will both aid and provide assurance to the Home Office accounting officer and the Senior Responsible Owner.

3: PAC conclusion: *The Department's mismanagement of the programme means the emergency services do not yet have confidence that ESN will provide a service that will meet their needs.*

3: PAC recommendation: *The Department should, without delay, agree with users a set of specific and detailed criteria that will be used to determine when ESN is ready to replace Airwave, and who will ultimately decide when those criteria are met.*

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: October 2019

3.2 The Emergency Services Mobile Communications Programme (ESMCP) has a set of very detailed user requirements which have been in place from the beginning and the programme board needs to approve any changes to scope. Before ESN services are deployed at scale, the Department will work with the user community to provide assurance the solution meets their operational needs, as set out in the agreed requirements. Alongside the technical verification of ESN (demonstrating that it does what we set out in the requirements), users and the Department are designing, and will carry out a comprehensive Operational Assurance.

3.3 Operational Assurance is about demonstrating operational readiness for deployment. It will comprise of the following elements:

- Operational Validation – The process of validating a technical capability, process or business change to determine whether it satisfies specified user business requirements.

- Operational Evaluation – This involves planned live operational exercises designed to produce an independently assessed formal evidence the user organisations require to make an informed decision with regards to ESN transition. Operational Evaluation will be delivered through a number of events, which will demonstrate the capability of ESN in realistic operational scenarios.

- Pilots – This will be an opportunity for the user organisations to deploy the ESN technology in an unscripted operationally live environment in a controlled manner before full deployment.

3.4 The Operational Assurance process will take place in stages, reflecting the incremental approach to delivery. It should build users' confidence as the functionality in successive ESN releases is tested and trialled.

3.5 The decision to replace Airwave with ESN will be taken by the Department and users collectively once the full capability has been released and in the light of users' progress deploying the product. The Permanent Secretary has made clear to the NPCC the Home Office's commitment to ensuring that the new Emergency Services Network is fit for purpose and also that any decision to switch off Airwave will be taken jointly by the Home Office and our operational stakeholders.

4: PAC conclusion***: We are not convinced that the Department has the plans or the skills needed to integrate the different elements of ESN into a coherent service.***

4: PAC recommendation: ***Before contracting with a new delivery partner, the Department should analyse the skills and tasks needed to integrate ESN, how any skills gaps will be filled, and how lessons from the failure of the KBR contract will be applied to the new delivery partner contract.***

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: September 2019

4.2 Work has concluded on the redefinition of the operating and organisation model for the next phases of the programme, to ensure we have the right capability, capacity, tools and processes to execute the delivery of ESN. This work took account both of lessons learned from the KBR contract and the IPA's best practice guidance. The key components of this process have been:

- Clarifying requirements and accountabilities for integration across all aspects of the plan
- Ensuring supplier contracts reflect these requirements and accountabilities
- Agreeing revised issue resolution and technical and programme governance processes and ways of working required to enable the Home office to carry out its delivery integration responsibilities.
- Appointing a new delivery partner to supplement and enhance programme team skills and integration capabilities

4.3 The new Delivery Partner contract is a more flexible and agile advisory and delivery service contract than the previous arrangement with KBR.

4.4 The Department used the Crown Commercial Services Management Consultancy 2 Framework to put in place a contract which enables a dynamic scaling of supplier resource and supports utilization of civil servant or specialist contracted capability as necessary. It is non-exclusive and non-committal, providing the greatest flexibility to adapt to the Department's requirements. The contract will provide the benefit of development opportunities and enable a bespoke apportionment of risk and reward between the department and the Delivery Partner.

5: PAC conclusion: ***Based on past failures to manage its contractors, we are concerned about the Department's ability to manage the significant commercial risks facing the programme, including those presented by Motorola's position as supplier to ESN and owner of Airwave.***

5: PAC recommendation: ***The Department should write to the Committee by October 2019 setting out how it will manage the risks presented by Motorola's position and the possible need to extend Airwave until it can be replaced by ESN.***

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: October 2019

5.2 The Airwave contract currently expires at the end of 2022 which is referred to as the Target National Shut Down Date. 12 months prior to this date notice must be issued to either extend this date further or confirm the National Shutdown Date (NSD):

- NSD may be initiated either in whole or in part based upon Regional or Force Area.
- The detailed deployment plan is currently being finalised, once this has been achieved a better estimate of the NSD can be made and detailed discussions and negotiations with Motorola / ASL will commence.
- The 5% discount agreed as a result of the Deed of Recovery runs from January 2020 to end 2022, whilst this would expire at that time further discounting would clearly be sought but there may be upward cost pressure as a result of maintaining an ageing infrastructure.

5.3 As officials have discussed before the PAC on several occasions, Motorola's position as ESN Partners and Airwave owners includes elements both of risk and opportunity. The Department recognises the risks and has taken steps to ensure that Motorola is appropriately incentivised in both its roles.

5.4 The CAN signed with Motorola on 14 May makes a number of changes to clarify responsibilities and incentivise timely delivery of ESN by:

- Moving to a product based, incremental delivery approach which should help ensure that issues can be identified early and resolved before the release of ESN Prime.
- Moving to the standards-based Kodiak interface, which is one of Motorola's off-the-shelf services and is already in use by over a million customers.
- CAN500 introduced 32 new Milestones, replacing the existing Milestone plan - These Milestones now occur much more frequently which allows for better tracking and reporting of progress. Each of the 32 Milestones either trigger a Milestone Payment, Service Charge or are Key or Critical Milestone which both have significant remedies associated with them. Motorola have now achieved 15 of these Milestones.
- Maintaining the commercial arrangements which link Motorola's performance on ESN with Airwave including a discount in Airwave costs for Motorola caused delay in ESN.

5.5 The department has strengthened considerably its contacts with Motorola senior management in the US in order to drive home the critical importance of this contract to the emergency services, including several meetings at Permanent Secretary level. We are also working closely with a wide range of international partners who are undertaking similar programmes to ESMCP to keep them abreast of progress and share lessons learned.

5.6 To ensure that the contract will be managed appropriately, the Department has been through a process of strengthening the contract management services. This involved the development of an updated contract management handbook and plan, the rollout of training across the technical and delivery team and increasing the number and calibre of commercial staff supporting the Department.

6: PAC conclusion: ***Delays to the Department's revised business case for ESN and the prospect of further increases in cost raises doubts over the value for money case for ESN.***

6: PAC recommendation: ***The Department should ensure it delivers a revised and approved business case, which both the emergency services and the other funders of ESN support, by the end of 2019 at the latest. The business case should include an appraisal of when continuing to spend money on ESN ceases to be value for money and should set out a 'plan B' for what would happen if that point was reached.***

6.1 The Government agrees with the Committee’s recommendation.

Target implementation date: March 2020

6.2 The Department is in the process of refreshing the business case. This requires an update to the technical delivery but also intense work with users to understand their thinking on deployment timescales. We intend to complete the plan by the end of the year. Completing the process of getting this business case through approvals is likely to take a little longer, and we are targeting the end of the 2019-20 for that.

6.3 The revised business case includes a value for money options analysis, including plan B options in the event that ESN proves undeliverable or no longer provides value for money.

One Hundred and Ninth Report of Session 2017-19

Department for Transport

Completing Crossrail

Introduction from the Committee

Crossrail is a major programme to run new rail services between Reading and Heathrow Airport, through a new underground section beneath central London, to Shenfield in Essex and Abbey Wood in south-east London. When complete, the new railway will be around 73 miles (118km) long, with around 26 miles (42km) of new tunnels. Ten new stations are being built and a further 31 are being improved. Crossrail will serve around 200 million passengers per year. The Department for Transport (the Department) and Transport for London (TfL) are jointly sponsoring the programme. Crossrail Limited is an arm's-length body specifically created to deliver the programme and is wholly-owned by TfL. The Crossrail programme has been allocated £17.6 billion of funding, £2.8 billion more than the £14.8 billion agreed in the 2010 Spending Review. The programme sponsors and Crossrail Ltd had planned to start running services through the central section in December 2018 and to start a full east-west service from December 2019. In April 2019, Crossrail Ltd announced that it plans to start running services on the central section between October 2020 and March 2021. It still does not yet have a date for when a full east-west service will start. This report builds on our April 2019 report, Crossrail: Progress review.

Based on a report by the National Audit Office, the Committee took evidence on 15 May 2019 from the Department for Transport, the current Chair and Chief Executive of Crossrail Ltd and the former Chair and Chief Executive of Crossrail Ltd. The Committee published its report on 19 July 2019. This is the Government response to the Committee's report.

Relevant reports

- NAO report: *Completing Crossrail* – Session 2017-19 (HC 2106)
- PAC report: *Completing Crossrail* – Session 2017-19 (HC 2127)

Government responses to the Committee

1: PAC conclusion: *Completion of the programme is well behind schedule and it remains uncertain when the entire railway will be open.*

1: PAC recommendation*: The Department and Crossrail Ltd should inform us as soon as they know when they expect the full railway to open.*

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2019

1.2 The report *Lessons from transport for the sponsorship of major projects* (April 2019) (the 'major projects review') identified that major projects should avoid setting committed in-service dates before there is positive evidence that it is realistically achievable. Crossrail Ltd (CRL) has implemented this lesson and is now using evidenced ranges until delivery becomes more certain. CRL is currently reviewing the timescales for opening the completed railway and an update will be provided to the Committee following this exercise. A further update to the Committee will be provided when the delivery date becomes more certain.

2: PAC conclusion: *Given the scale and complexity of the remaining work, it is staggering that Crossrail Ltd continued to believe until as late as July 2018 that the central section of the railway would open in December 2018.*

2: PAC recommendation: ***Building on the recommendations in our April 2019 report, the Department and Crossrail Ltd should report to us every six months on:***
• progress across the programme, including on the performance of contractors;
• how they are monitoring progress against the plan; and
• how they are countering the risk of optimism bias and assuring themselves that the revised schedule and cost to completion are robust

2.1 The Government agrees with the Committee's recommendation.

Recommendation Implemented

2.2 The Department has discussed this requirement with CRL and it has agreed to write to the Chair of the Committee with progress updates every quarter until the project is completed. The first of these updates was provided in August 2019.

3: PAC conclusion: ***Crossrail Ltd's failure to manage effectively the high number of main contractors needed for the programme contributed to substantial cost increases and delays.***

3: PAC recommendation: ***As it examines its other projects and programmes, the Department and its delivery bodies' commercial teams should review their commercial and contractual models, including where risk sits, to gain assurance that commercial and contractual approaches protect value for money.***

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2020

3.2 The Department's commercial assurance function will continue to assure commercial models and contracts alongside its assurance function of business cases. These assurance reviews are in line with Cabinet Office guidance and best practice in managing commercial contracts. In addition, the Department's assurance work has considered the lessons from the commercial model adopted for Crossrail and how the company could implement improvements/changes into future models.

4: PAC conclusion: ***Crossrail Ltd continued to pay its executives bonuses, even as the programme was going off track.***

4a: PAC recommendation: ***Before the end of the year, the Department should: carry out and publish the results of a full review of pay, including redundancy arrangements, at its delivery bodies;***

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2019

4.2 Drawing on work already underway, the Department will write to the committee setting out its findings about the effectiveness of the senior pay frameworks are within Highways England, HS2 Ltd and Network Rail and their redundancy arrangements. This will include;

- setting out how central government guidance on pay and reward has been incorporated into delegations for the Bodies;
- how the Bodies attract, retain and develop the expertise they require;
- the relationship between performance and reward; and
- frameworks and redundancy arrangements.

4.3 We will also set out for the Committee, with input from the Remuneration Committees, what measures have been taken to align pay and reward with programme delivery.

4b: PAC recommendation: ***Before the end of the year, the Department should: set out how it will ensure that remuneration in its delivery bodies aligns with the overall success of projects, and how it will maintain appropriate control and oversight of executive remuneration.***

4.4 The Government agrees with the Committee's recommendation.

Target implementation date: December 2019

4.5 The Department is working with the remuneration committees of HE, HS2 Ltd and NR and with Ministers to agree common principles for senior executive remuneration, which will help to ensure greater parity in the way remuneration committees hold executives to account for their performance.

4.6 The Department is working with HE and NR to amend their existing performance related pay (PRP) systems to improve the alignment between company performance and individual performance. The Department will work with HS2 Ltd to design and introduce a PRP system that does this amongst its workforce. These systems will continue to be linked to delivery objectives, milestones and key performance indicators for programme and project delivery, and the remuneration committees for these delivery bodies will be expected to provide justification to Ministers for PRP awards within their organisations.

4.7 Crossrail Ltd is a wholly owned subsidiary of Transport for London (TfL) and as such remuneration matters are primarily for Crossrail Ltd and TfL to manage. The Department has no role in setting or approving the exact remuneration and benefits packages for CRL executives.

5: PAC conclusion: ***Despite it being a key learning point from previous projects, the Department failed to ensure Crossrail Ltd gave enough attention to planning and integrating***

5: PAC recommendation: ***In order to assure itself about how its delivery bodies are managing major rail projects and bringing them into passenger service, the Department should better understand what a fully integrated plan comprises. To do this, it should build on the work now being done by Crossrail Ltd.***

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: Winter 2019

5.2 The new Crossrail Ltd leadership team has taken the time to review the programme fully to develop an integrated 8,000 line logically-linked plan (the Delivery Controlled Schedule) for the opening of the railway. Crossrail Ltd will share its experience in developing their integrated plan with other major rail projects.

5.3 The Department has established the Project Delivery Improvement Programme (PDIP) to take forward and embed the lessons identified in the major projects review. The review and follow up activities are intended to be used by projects to ensure that the Department has a better oversight of both strategic and systems integrations. The lessons aim to ensure that suitably capable and empowered delivery organisations with the right to direct the integration activities of all relevant organisations have clear organisational accountability for systems integration, while ensuring there is an empowered authority overseeing an integration strategy and progressive test plan.

6: PAC conclusion: ***It is unacceptable that the Department devolved so much accountability for taxpayers' money on this major programme.***

6: PAC recommendation: ***The Department should examine whether its oversight of its existing delivery bodies provide it with appropriate accountability and governance arrangements over the life of programmes and set its arrangements out in accountability systems statements for its major programmes.***

6.1 The Government agrees with the Committee’s recommendation.

Target implementation date: Winter 2019

6.2 The Project Delivery Improvement Programme and the Infrastructure and Projects Authority (IPA) have worked swiftly and collaboratively following the publication of the major projects review to identify, capture, apply, and share lessons about how we can strengthen our oversight and delivery of major projects. A joint team has been established to undertake a programme of work to implement the key findings from the report and assess areas for continued improvement. Part of this work includes working with our ALBs, including Crossrail, Highways England, HS2 Ltd, and Network Rail to understand and address gaps to improve delivery of our major transport projects

6.3 The PDIP project is currently reviewing the Department’s oversight of existing delivery bodies to ensure that there are clear roles, responsibilities and accountabilities for project control and assurance between the Department and its arms-length bodies. The scope of this work includes, but is not limited to, identifying which governance models should be used to balance Departmental and arms-length body responsibilities to drive successful delivery, while maintaining accountability, including spending.

One Hundred and Tenth Report of Session 2017-19

Ministry of Housing, Communities and Local Government / Cabinet Office

Sale of public land

Introduction from the Committee

The UK Government is a major land holder. In 2016–17, the total value of central Government-owned land and property was estimated at £179 billion. The Government manages these assets through the Government Estate Strategy. It has been reducing the size of its estate for several years owing to a policy to sell assets where it considers they no longer serve a public purpose. The Government has two main disposal targets: a *proceeds* target whereby the government plans to "*deliver £5 billion of receipts between 2015 and 2020 through the release of surplus public sector land and property across the UK*"; and a *land for new homes* target known as the Public Land for Housing Programme, whereby the Government aims to "*increase housing supply by releasing surplus public sector land for at least 160,000 homes*" in England between 2015 and 2020. This programme follows an earlier target to release enough land for 100,000 new homes between 2011 and 2015.

The Cabinet Office is responsible for the Government's estate strategy and for the proceeds target, while the Ministry of Housing, Communities and Local Government (MHCLG) is responsible for leading the new homes target. Individual Departments are responsible for pursuing their own targets that contribute to the overall totals, while also ensuring that individual sales represent value for money. The Treasury is responsible for setting Departmental budgets which are net of the proceeds expected from land disposals.

This is the third time the Committee has reported on the Department's Public Land for Housing Programme. In 2015, the Committee concluded that MHCLG could not demonstrate the success of the 2011–2015 programme in addressing the housing shortage or achieving value for money. In 2016, the Committee recognised that improvements had been implemented in the 2015–2020 programme, but warned that the Government would fail to deliver land for 160,000 homes by 2020 unless it significantly accelerated the rate at which land for new homes is made available.

Based on a report by the National Audit office, the Committee took evidence on 12 June 2019 from the Cabinet Office and the Ministry of Housing, Communities and Local Government. The Committee published its report on 24 July 2019. This is the Government response to the Committee's report.

Relevant reports

- NAO report: *Investigation into the government's land disposal strategy and programmes* Session 2017-19 (HC2138)
- PAC report: *Sale of Public Land* Session 2017-19 (HC2040)

Government responses to the Committee

1: PAC conclusion: *The Government has wasted a once-in-a-generation opportunity to alleviate the nation's housing crisis by failing to develop a strategy for public land disposal.*

1a: PAC recommendation: *By October 2019, the Cabinet Office should write to the Committee to set out a clear strategy for how the Government will meet its proceeds and land for new homes targets. This should include over-arching aims and clear outcomes*.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2019

1.2 The *Government Estate Strategy 2018* sets out clear expectations for proceeds and housing units and these are allocated to government departments and reported on in their Strategic Asset Management Plans (SAMPs).

1.3 Cabinet Office welcomes the opportunity to write to the Committee by October 2019 and will set out in more detail the actions that Cabinet Office is taking across government to deliver on the ambition to release £5 billion in receipts from surplus public land in 2015-20 and also the actions the Ministry of Housing, Communities and Local Government (the Department) is taking across government to deliver on the commitment to release land with the capacity for 160,000 homes.

1b: PAC recommendation: ***The Cabinet Office should also outline how its strategy for meeting the proceeds and land for new homes targets will impact and feed into: housing policy, estates strategy, asset management and Government budgeting*****.**

1.4 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2019

1.5 The *Government Estate Strategy 2018* sets out clear expectations for proceeds and housing units and these are allocated to government departments and reported on in their Strategic Asset Management Plans (SAMPs).

1.6 Cabinet Office will outline the role the SAMP has in articulating how departments will make more effective use of their estates and how this aligns with departmental strategic objectives and each Single Departmental Plan, enabling each department to meet its statutory and other obligations to deliver operational functions and services.

1.7 Cabinet Office with support from MHCLG and HMT will show how the Government Estate Strategy feeds into housing policy and Government budgeting respectively.

2: PAC conclusion: ***Government's lack of evidence underpinning the two disposal targets means that the programmes were set up to fail.***

2: PAC recommendation: ***For future housing programmes, the government should set targets that are challenging but fully supported by a clearly explained rationale and robust evidence on what is achievable*****.**

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: September 2020

2.2 The Government's ambition is to deliver 300,000 homes a year on average by the mid-2020s.

2.3 In relation to the Public Land for Housing Programme, the Government set an ambitious and aspirational target for 2020 based upon knowledge of departmental land holdings and expected estate transformation programmes at that time. The Department recognises the need to build on lessons learnt and ensure targets set are both stretching and achievable.

2.4 The Department recognises the value of public land in delivering housing. Any future public sector land programme will continue to challenge central government departments to realise as much housing potential from across their estates as possible. Land owning government departments have been reviewing parts of their estates to identify more land and explore ways of making better use of public assets. Furthermore, the Office of Government Property (OGP), supported by MHCLG/Homes England and the Cabinet Office, is overseeing a more robust, consistent system for identifying underused and surplus land for disposal that is aligned to both the wider Government Estate Strategy and OGP's annual Strategic Asset Management Plan (SAMP) process. This work aims to provide the rationale and evidence to support future objectives for disposal of land for housing.

2.5 Cabinet Office and the Department will continue to challenge departmental disposal pipelines on the grounds of deliverability and the strength of their underpinning evidence base and data.

3: PAC conclusion: ***Despite the inevitable tensions between the two land disposal targets, government has disregarded the potential impact of trade-offs between the two targets and has made no assessment of how they will manage the two programmes side-by-side.***

3: PAC recommendation: ***The Government needs to acknowledge more explicitly the tensions between its two key land disposal targets, and articulate more clearly what its priorities are when it comes to the disposal of land including the creation of affordable and social housing.***

The Cabinet Office should write to the Committee by October 2019 outlining how Strategic Asset Management Plans, which are not publicly available, are used to resolve tensions between targets.

In confidence, the Cabinet Office should provide the Committee with an example of a Strategic Asset Management Plan with a significant land element where trade-offs between money and homes is articulated.

3.1 The Government disagrees with the Committee's recommendation.

3.2 The Cabinet Office is not aware of any cases where there has been tension between the two targets.

3.3 The Strategic Land and Property Review was commissioned by the then Chancellor of the Exchequer at the Spending Round 2013 to identify £5 billion of land and property to be released in the period 2015-20. The review which was led by Sir Bob Kerslake who undertook a comprehensive interrogation of the entire government estate in England.

3.4 The first target was the ambition to release £5 billion in receipts from surplus public sector land as a driver from the centre for departments and their arms-length bodies to embed good asset management practices and understand the true value of the estate and create an efficient, fit-for-purpose and sustainable estate that meets future needs. A key part of this target will involve releasing parts of the estate that no longer serve a public sector role but delivers best value for the taxpayer upon disposal.

3.5 The second target was to release land for 160,000 homes using the opportunity that is derived from better asset management across the government estate. The ambition is that the surplus land released from the estate is used to unlock housing. However, it should be noted that this target did not compel departments to prioritise affordable or social housing.

3.6 To support departmental decision making a range of guidance is available, the most notable being *The Guide for the disposal of surplus government land.*

4: PAC conclusion: ***The Committee is concerned by the Ministry of Housing, Communities and Local Government's failure to translate surplus land into new homes and are struggling to see how this could improve in the coming years.***

4: PAC recommendation: ***The Ministry for Housing, Communities and Local Government should write to the Committee by October 2019 outlining the actions it will take, and the tools it will use, to accelerate the number of homes built on the land released. The Committee also expects the correspondence to include more detail on the barriers to releasing land and how it proposes to overcome these barriers.***

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: September 2020

4.2 The Department welcomes the opportunity to write to the Committee but will aim to do so by September 2020 to ensure that any learning from the last six months of the current Programme is reflected in its response. A complete view of disposed land and homes delivered across the total programme will allow for a fuller review and more robust evidence base to inform proposed actions for the future. This additional time is necessary to enable the Department to gather and validate a comprehensive suite of data and evaluate the final programme results, as well as achieve full cross-government agreement on a new strategy, ensuring new targets are ambitious, but evidence-based and realistic.

4.3 The Department's response will set out in more detail the actions it proposes to bring more land forward for housing, the barriers to delivery and proposals for tackling them which will improve the speed and certainty of the disposal of land and the delivery of houses.

5: PAC conclusion: ***It is unacceptable that the Ministry of Housing, Communities and Local Government pays so little attention to how the release of public land could be used to deliver affordable homes including social homes for rent.***

5: PAC recommendation: ***The Ministry for Housing, Communities and Local Government should write to the Committee by October 2019 explaining how it pursues its affordable homes policy. The Committee expects this to include how the land disposal target fits into the overarching strategy for affordable homes and how the Department will interact with local government to deliver this important objective.***

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: September 2020.

5.2 Again, the Department welcomes to the opportunity to write to the Committee but will aim to do so by September 2020 to ensure that any learning from the last six months of the current Programme is reflected in our response. A complete view of land disposed, and homes delivered across the total programme will allow for a fuller review and more robust evidence base to inform proposed actions for the future. As explained earlier, this additional time is necessary to enable the Department to gather and validate a comprehensive suite of data and evaluate the final programme results, as well as achieve full cross-government agreement on a new strategy, ensuring new targets are ambitious, but evidence-based and realistic.

5.3 The Department recognises a mix of different tenures is vital to meet the needs of a wide range of people, and allow the sector to build the right homes in the right places. The Government's policy is to leave decisions about the balance of affordable housing on any individual site to local authorities and developers. However, it has an ambitious programme for affordable housing at the national level. Since 2010, we have delivered over 430,000 new affordable homes, including over 308,000 affordable homes for rent. The Government is committed to continuing to increase the supply of social housing and has made £9 billion available through the Affordable Homes Programme to March 2022 to deliver approximately 250,000 new affordable homes of a wide range of tenures, including social rent.

5.4 The Department recognises that it is for local authorities and their discussions with developers to determine what is the appropriate affordable housing mix for each site. However, the Department has committed to publish further data on the number of affordable homes delivered on sites released through the Public Land for Housing Programme.

6: PAC conclusion: ***Government's likely achievement of its £5 billion proceeds target is more through luck than judgement and it does not know how it the proceeds are spent.***

6: PAC recommendation: ***HM Treasury should write to the Committee by October 2019 with details of how it ensures that the money raised from land disposals, which is a once-only opportunity to generate proceeds, is reinvested and not being used to fund short-term day-to-day spending across government.***

6.1 The Government disagrees with the Committee's recommendation.

6.2 Consolidated Budgeting Guidance sets out the budgetary treatment of the disposal of capital assets. When a government department or Arm's Length Body (ALB) disposes of an asset (such as public land), the net book value of this asset scores as negative capital against its departmental expenditure limit (DEL). This means that a department's capital control total (the funding provided by the Exchequer) remains the same, but the department can spend up to the value of the asset as capital. Typically, this is agreed in advance with the Treasury as part of the department's overall spending settlement – i.e. the department's capital settlement should take into account the expected income from asset sales based on the net book value of the asset. This means that the direct proceeds from the sale of the asset can only be spent on other capital expenditure, which would normally form part of a department's capital plan.

6.3 Any profit on the sale of the asset has a different budgetary treatment. If the department was able to retain all the profits above the net book value – this would create an incentive to undervalue assets. Departments are therefore prevented from retaining the full profit on disposal. But clearly, the asset may nevertheless be sold for a profit. The guidance allows departments to retain a small proportion of this (5%) as an additional incentive to proceed with the sale without providing the department with a windfall or incentivising poor valuation. This scores to resource budgets as it is unplanned spend and capital plans are normally set far in advance. Of course, if the department did have unfunded capital plans, they would be free to 'switch' the resource to capital spend.

7: PAC conclusion: ***Gaps at all levels in the Government's data on what it is achieving against the disposals targets means there is an unacceptable lack of transparency in how it is performing.***

7a: PAC recommendation: ***The Ministry for Housing, Communities and Local Government should better define and justify what it means by terms such as 'homes' and 'new affordable homes'.***

The Ministry for Housing, Communities and Local Government should fulfil its duty by reporting regularly to Parliament on performance, including an annual progress update and regular data releases throughout the year—quarterly or half-yearly. These updates should include the number and type of housing delivered against each definition—such as affordable homes—and the proceeds from land sales.

7.1 The Government agrees with the Committee's recommendation.

Target implementation date: September 2020

7.2 The Department will update the *Public Land for Housing Technical Handbook* (available publicly via Gov.UK) to clarify the terms of 'homes' and 'new affordable homes' by December 2019.

7.3 The Department has committed to release half-yearly management information on the programme with a first publication expected in December 2019. This will include data on land released and the number and type of homes delivered against each definition.

7.4 It will not include data on proceeds from land sales as this information is managed and published in the Cabinet Office's *Transparency Report*.

7.5 The Department is committed to deliver further progress update reports with the next publication to be presented as a summary of the 2015-20 programme by September 2020 to enable the Department to gather and validate the final Programme results.

7b: PAC recommendation: ***The Cabinet Office should maintain the frequency of its reporting and include information on land purchasers, and an explanation where sites have been sold for a £1 or less.***

7.6 The Government agrees with the Committee's recommendation.

Target implementation date: January 2020

7.7 Cabinet Office is committed to publishing the Annual Transparency Report showing details of all commercial sales of central government surplus land.

7.8 The next annual Transparency Report is due to be published in January 2020 and will provide additional information aimed at increasing accountability to the taxpayer on land and property disposals and will include an explanation of sites sold for £1 or less.

7.9 Cabinet Office will review the potential for including information about purchasers of public land in the annual Transparency Reports, taking into consideration General Data Protection Regulation (GDPR) and commercial sensitivities. Cabinet Office will write to the Committee with its findings prior to the publication of the 2020 Transparency Report.

One Hundred and Eleventh Report of Session 2017-19

HM Treasury

Funding for Scotland, Wales and Northern Ireland

Introduction from the Committee

HM Treasury is responsible for operating the funding framework for the devolved administrations of Scotland, Wales and Northern Ireland, and for calculating the funding attributable to each nation. Initial funding allocations are based on the funding the devolved administrations received in the previous year, plus a population-based share of funding for changes in planned UK government spending. HM Treasury uses the Barnett Formula to calculate these changes. As part of this, it compares the functions and services provided by UK government departments with those provided by the devolved administrations, assigning comparability factors to each UK government department and its spending programmes depending on the extent that their services are devolved.

When there are changes in the UK government's plans which increase spending in England for services and activities devolved to Scotland, Wales and Northern Ireland, additional funding is allocated to the devolved administrations. Ministers also allocate funding directly to Scotland, Wales and Northern Ireland, such as the funding provided for City Deals. But these direct allocations of funding, which are made outside of the Barnett formula, do not trigger changes in funding for England or other nations.

Spending per head on public services varies significantly across England, Scotland, Wales and Northern Ireland. In 2017–18, spending per head in Northern Ireland was highest at £11,190 per head, followed by Scotland at £10,881 per head and Wales at £10,397 per head. England is lowest at £9,080 per head.

Based on a report by the National Audit Office, the Committee took evidence, on 10 June 2019 from HM Treasury. The Committee published its report on 26 July 2019. This is the Government response to the Committee's report.

Relevant reports

- NAO report: *Investigation into devolved funding* Session 2017-19 (HC 1990)
- PAC report: *Funding for Scotland, Wales and Norther Ireland* – Session 2017-19 (HC 1751)
- HM Treasury: *Statement of Funding Policy (2015 and seventh edition)*: funding the Scottish Parliament, National Assembly for Wales and Northern Ireland Assembly

Government responses to the Committee

1: PAC conclusion: ***Arrangements for funding the devolved administrations are increasingly complex and there is a lack of transparency about how funding decisions are made.***

1a: PAC recommendation*: At future Spending Reviews, HM Treasury should publish more detailed and transparent information about its funding decisions and the elements that make-up the funding allocated to the devolved administrations.*

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spending Review 2020

1.2 HM Treasury already publishes detailed and transparent information about its funding decisions at Spending Reviews. This includes publishing an updated Statement of Funding Policy to explain the devolved administration funding arrangements. The *Statement of Funding Policy (2015 and seventh edition)* was published alongside the 2015 Spending Review, with an addendum published at the 2019 Spending Round to highlight a small number of key changes since 2015. The Statement of Funding Policy sets out all the devolved administration funding sources and provides detailed information about the inputs used within the Barnett formula (including UK government departmental comparability factors and population numbers). In addition to this HM Treasury jointly published the *Scottish Government fiscal* framework and Welsh Government fiscal framework with the respective devolved administrations, which explain how the Barnett formula-based block grants are adjusted alongside tax and welfare devolution.

1.3 At Spending Review 2020, HM Treasury will publish additional information in the Statement of Funding Policy about devolved administration funding provided outside the Barnett formula.

1b: PAC recommendation*: At future Spending Reviews, HM Treasury should publish evidence of its assessment that the current block grant continues to be the optimum way of allocating funding to meet the needs of the UK as a whole.*

1.4 The Government agrees with the Committee's recommendation.

Target implementation date: Spending Review 2020

1.5 The Barnett formula-based block grants have been retained by successive governments since they were introduced. In recent years, the Government's 2017 manifesto committed to retain the Barnett formula to underpin the calculation of devolved administration block grants, while the formula was embedded within fiscal frameworks agreed with the Scottish and Welsh governments in 2016.

1.6 To respond to the Committee's recommendation, HM Treasury will publish an updated assessment of the rationale for these arrangements in the Statement of Funding Policy at the 2020 Spending Review.

2: PAC conclusion: *Ministers' ability to allocate funding outside of the Barnett formula without consequential payments to other nations makes it impossible to determine whether funding decisions are based on need.*

2: PAC recommendation: *At future Spending Reviews, HM Treasury should publish information to explain how it has ensured that funding decisions are prioritised according to the needs of citizens across the UK.*

2.1 The Government agrees with this recommendation.

Target implementation date: Spending Review 2020

2.2 HM Treasury already explains how its funding decisions for UK government departments help to deliver its responsibilities to citizens across the UK. This includes publishing information about multi-year funding decisions made at Spending Reviews, as well as explaining decisions made in between Spending Reviews (for example at Budgets). HM Treasury additionally publishes detailed information about funding through the annual Parliamentary Estimates process.

2.3 While the Barnett formula and tax/welfare block grant adjustments are mechanically applied to changes in UK government tax and spending, at the 2020 Spending Review HM Treasury will publish additional information in the Statement of Funding Policy about any further funding provided to the devolved administrations. This will include an explanation of how the needs of citizens across the UK have been taken into account.

3: PAC conclusion: *HM Treasury does not know whether the block grant funding it allocates to the nations adequately reflects the needs of citizens across the UK.*

3: PAC recommendation: *Ahead of the upcoming Spending Review, HM Treasury should write to the Committee with details of its analysis of the impact of rolling forward a large part of block grant (historic) funding and the impact that slower relative population growth could have on funding per head across the UK.*

3.1 The Government agrees with this recommendation.

Target implementation date: Spending Review 2020

3.2 While the impact of relative population growth is reflected in the country and regional spending data published in *Public Expenditure Statistical Analyses*, HM Treasury will write to the Committee in advance of Spending Review 2020 explaining the impact of relative population growth on funding per head under the Barnett formula.

4: PAC conclusion: ***HM Treasury's decisions about how to finance the UK government's spending plans affect the funding allocated to the devolved administrations and their ability to plan and manage their finances.***

4a: PAC recommendation: ***HM Treasury should share timely information with the devolved administrations on how it will fund projects and programmes whether through new funding, loans, re-allocation of existing budgets or via the Central Reserve***

4.1 The Government agrees with this recommendation.

Recommendation implemented

4.2 HM Treasury already aims to share timely information on funding with the devolved administrations. The devolved administrations are therefore provided with multi-year block grants at Spending Reviews alongside departmental settlements. While any subsequent changes in devolved administration funding through the Barnett formula can only be confirmed at the point that UK government departmental budgets are formally changed, HM Treasury routinely shares indicative information alongside major announcements (such as the funding announced alongside the NHS 70th birthday in 2018) to assist the devolved administrations with financial planning. HM Treasury will continue this approach and try to make improvements wherever possible.

4b: PAC recommendation***: HM Treasury should engage with the devolved administrations sooner on the comparability factors included in its Statement of Funding Policy to ensure that they have the opportunity to review the status of devolved and reserved functions before policy is finalised.***

4.3 The Government agrees with this recommendation.

Target implementation date: Spending Review 2020

4.4 HM Treasury is already engaging with the devolved administrations to ensure they have more time to input into the process to update the Statement of Funding Policy in advance of the Spending Review in 2020.In addition, despite the fast-track nature of the 2019 Spending Round, discussions took place on the extent to which comparability factors needed to be updated due to changes in UK Government structures since 2015.

5: PAC conclusion: ***We are concerned by the uncertainty for devolved administrations caused by the UK government's postponement of the Spending Review and the absence of a decision on how it will replace existing EU funding.***

5: PAC recommendation***: On conclusion of discussions and negotiations about allocating replacement EU funding, HM Treasury should write to the Committee with details of its proposals.***

5.1 The Government agrees with this recommendation.

Target implementation date: Spending Review 2020

5.2 The UK government is providing certainty through the implementation period (and through the HMG Guarantee in a no-deal scenario) as the UK prepares to leave the EU. Beyond this, HM Treasury and relevant policy departments (notably the Department for Environment, Food and Rural Affairs and the Ministry of Housing, Communities and Local Government) have been engaging the devolved administrations and the arrangements will be set out for the Committee when finalised.

Treasury Minutes Archive[2]

Treasury Minutes are the Government's response to reports from the Committee of Public Accounts. Treasury Minutes are Command Papers laid in Parliament.

Session 2017-19

Committee Recommendations: 690
Recommendations agreed: 627 (91%)
Recommendations disagreed: 63 (9%)

Publication Date	PAC Reports	Ref Number
December 2017	Government response to PAC report 1	Cm 9549
January 2018	Government responses to PAC reports 2 and 3	Cm 9565
March 2018	Government responses to PAC reports 4-11	Cm 9575
March 2018	Government responses to PAC reports 12-19	Cm 9596
May 2018	Government responses to PAC reports 20-30	Cm 9618
June 2018	Government responses to PAC reports 31-37	Cm 9643
July 2018	Government responses to PAC reports 38-42	Cm 9667
October 2018	Government responses to PAC reports 43-58	Cm 9702
December 2018	Government responses to PAC reports 59-63	Cm 9740
January 2019	Government responses to PAC reports 64-68	CP 18
March 2019	Government responses to PAC reports 69-71	CP 56
April 2019	Government responses to PAC reports 72-77	CP 79
May 2019	Government responses to PAC reports 78-81 and 83-85	CP 97
June 2019	Government responses to PAC reports 82, 86-92	CP 113
July 2019	Government responses to PAC reports 93-94 and 96-98	CP 151
October 2019	Government responses to PAC reports 95, 99-111	CP 176

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 1-13	Cm 9351
December 2016	Government responses to PAC reports 14-21	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[3]	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

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

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 (part 1)	Cm 9351
December 2016	Government response to PAC report 39 (part 2)	Cm 9389

Treasury Minutes Progress Reports Archive

Treasury Minutes Progress Reports are the Government's response on the implementation of recommendations from the Committee of Public Accounts. Treasury Minutes Progress Reports are Command Papers laid in Parliament.

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
January 2018	Session 2010-12: updates on 2 PAC reports Session 2013-14: updates on 5 PAC reports Session 2014-15: updates on 4 PAC reports Session 2015-16: updates on 14 PAC reports Session 2016-17: updates on 52 PAC reports	Cm 9566
July 2018	Session 2010-12: updates on 2 PAC reports Session 2013-14: updates on 4 PAC reports Session 2014-15: updates on 2 PAC reports Session 2015-16: updates on 9 PAC reports Session 2016-17: updates on 38 PAC reports Session 2017-19: updates on 17 PAC reports	Cm 9668
March 2019	Session 2010-12: updates on 2 PAC reports Session 2013-14: updates on 4 PAC reports Session 2014-15: updates on 2 PAC reports Session 2015-16: updates on 7 PAC reports Session 2016-17: updates on 22 PAC reports Session 2017-19: updates on 46 PAC reports[4]	CP70

[4] Contains updates on Treasury Minutes – Session 2017-19 – up to October 2018

CCS0919078904
978-1-5286-1601-0