



HM Treasury

Treasury Minutes

Government responses on the Twenty Seventh to the Thirty Third reports from the Committee of Public Accounts: Session 2015-16



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- 27th Report: e-borders and successor programmes
(Home Office)
- 28th Report: Access to general practice
(Department of Health)
- 29th Report: Making whistleblowing policy work
(Cabinet Office)
- 30th Report: Sustainability and financial performances of delivering acute hospital trusts
(Department of Health)
- 31st Report: Delivering major projects
(Cabinet Office)
- 32nd Report: Transforming contract management: progress review
(Cabinet Office)
- 33rd Report: Contracted out health and disability assessments
(Department for Work and Pensions)

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

TREASURY MINUTES DATED 25 MAY 2016 ON THE TWENTY SEVENTH TO THE THIRTY THIRD REPORTS FROM THE COMMITTEE OF PUBLIC ACCOUNTS: SESSION 2015-16

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Twenty Seventh Report of Session 2015-16

Home Office

e-Borders and Successor Programmes

Introduction from the Committee

In 2014–15, some 118 million people travelled to the UK, by land, sea and air. Since 2012 the Department's Border Force directorate has been responsible for operating border controls, although responsibility for border functions has previously rested with the former UK Border Agency. In the early 2000s the UK authorities received virtually no data on people travelling to the UK before they arrived at the border. The Department recognised that collecting passenger information in advance of travel would help them identify persons of interest and prevent travel where deemed necessary. Since 2003, the Department has run several programmes to collect and analyse this data.

In 2007, the Department entered a contract with Raytheon to deliver an "e-Borders" solution but the Department cancelled this contract in 2010. Successor programmes, including the Border Systems Programme and Digital Services at the Border, took over where Raytheon left off. By March 2015 the Department had spent at least £830 million on all these programmes.

On the basis of a report by the National Audit Office, the Committee took evidence from representatives from the Home Office, the former UK Border Agency, British Airways, P&O Ferries, and Raytheon UK. The Committee published its report on 4 March 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: *E Borders and Successor Programmes* - Session 2015-16 (HC 608)
- PAC report: *E Borders and Successor Programmes* - Session 2015-16 (HC 643)

1: Committee of Public Accounts conclusion:

The aims of the e-Borders and successor programmes will be delivered at least 8 years late and cost significantly more than expected, but no-one has accepted responsibility for this.

Recommendation:

In response to this report, the Department should set out what it expects to deliver in 2016, who will be responsible for delivering it, and report back to us in January 2017 on what has been achieved.

1.1 The Government accepts the Committee's recommendation.

Target implementation date: June 2017.

1.2 To implement the recommendation, the Department will commence delivery of two key technologies for both freight and passenger screening and security at the border: an Advanced Freight Targeting Capability (AFTC); and Border Crossing – the new primary control point technology used by officers when meeting arriving passengers, which will start the process of replacing the Warnings Index.

1.3 AFTC's underlying technology and the first iteration of its Roll on Roll off (RoRo) targeting system went live in January 2016. In a series of phased releases, AFTC will build-up these capabilities, enhancing the targeters' ability to identify suspicious items. This will be extended to operate in Air Freight, Post and Fast Parcel modes. The AFTC project will be completed by June 2017.

1.4 The first capability release of the new Border Crossing software, to process passengers, replaces part of the existing Warnings Index. The first release will be the underlying technology platform with capabilities that match or exceed the present system in terms of search results and user experience. This will be tested, with the present technology serving as contingency during a pilot phase. The roll-out will expand to early user sites during winter 2016-17, before national roll-out from June 2017.

1.5 The Government does not agree with the Committee's conclusion regarding responsibility. The strategic vision has been delivered, while e-Borders and its successor programmes had clear Senior Responsible Owners throughout.

1.6 The senior responsible owner (SRO) for Digital Services at the Border (DSAB) is the Border Force Chief Operating Officer. The Department will update the Committee in January 2017.

2: Committee of Public Accounts conclusion:

The Department does not have a clear picture of the management information it has or needs to manage the UK border which is hindering its operations.

Recommendation:

The Department should set out what data it needs to manage the UK border effectively and when it will be available and report back to the Committee on progress in achieving this in January 2017.

2.1 The Government does not accept the Committee's recommendation as the Department has the data it needs to manage the border effectively.

2.2 Border Force currently receives the data required to operate an effective border, including the receipt of a significant amount of Advance Passenger Information. The processing of this data by Border Force's National Border Targeting Centre provides a key capability to both UK and overseas partners in identifying persons attempting to cross the border, and in preventing travel of known terrorists, serious criminals and immigration offenders. This will be further enhanced through the EU Passenger Name Record Directive that was approved by the European Parliament on 14 April 2016.

3: Committee of Public Accounts conclusion:

Continual changes in senior management have hindered the successful delivery of these programmes.

Recommendation:

The Department should set out what actions it will take, working with the centre of Government, to minimise turnover of critical staff until programmes are complete. In the event of staff leaving, there must be clear handover of programme knowledge to prevent repetition of work and to minimise impact on timetables.

3.1 The Government accepts the Committee's recommendation.

Recommendation implemented.

3.2 To implement the recommendation the Department has put into practise an agreed model for project ownership, management and governance, and a new model for project resourcing, supported by an action plan to build wider project delivery capability across the department.

3.3 The new model includes a stronger professional oversight role for departmental heads of profession (technology, digital, commercial, project delivery etc), with responsibility for resourcing within their area of professional responsibility. This includes the continuing requirement for SROs of major programmes to be appointed by the Permanent Secretary and for Programme Directors and staff in other key project delivery roles to be appropriately qualified and experienced. Heads of profession are also responsible for ensuring effective talent management and succession planning to support the retention and continuing professional development of SROs and project delivery leaders.

4: Committee of Public Accounts conclusion:

The Department adopted a commercial approach for the e-Borders contract that could not cope with the challenges it faced.

Recommendation:

Departments procuring complex and challenging programmes should contract on the basis that requirements may evolve, for which a fixed-price and deadline contract is unlikely to provide value for money.

4.1 The Government accepts the Committee's recommendation.

Recommendation implemented.

4.2 The Department contracts using a spectrum of commercial models, including both input and output based pricing and other incentive-based pricing mechanisms such as risk-reward and gain share. The Department is careful to match the pricing mechanism to the particular scope being contracted, and recognises that fixed-price models are appropriate in some circumstances – for example: where risk is transferred to the supplier, or the supplier has end-to-end control over the delivery of the service – it is not in others, particularly those in which the precise nature of the requirements evolves over time.

4.3 Commercial assurance takes place through the Department's Commercial Assurance Board, which reviews pricing models on all new procurements and contract changes over £5 million. Pricing and commercial mechanisms are tested against market practice.

5: Committee of Public Accounts conclusion:

Throughout the programme the Department has underestimated the importance of securing the co-operation of other government agencies and transport carriers.

Recommendation:

The Department should ensure all stakeholders outside the Department, such as other government agencies and carriers, are consulted at appropriate stages as programmes develop and that the issues they raise are considered carefully and responded to effectively. Departments should ensure that business cases are clear on the impact on stakeholders, such as carriers and passengers, of new requirements and monitor such programmes to ensure changes are integrated as smoothly as possible.

5.1 The Government accepts the Committee's recommendation.

Target implementation date: October 2016.

5.2 The Government does not agree that the importance of securing co-operation was underestimated throughout the programme. Historically, the strategic engagement between the Home Office and stakeholders was strong. Other government agencies sat on the e-Borders Programme Board and had staff embedded within the programme. Whilst there was a positive relationship between the government programme team and carriers, the relationship between the 3rd party supplier, Raytheon, and carriers was less constructive.

5.3 Since e-Borders, there has been demonstrable evidence of how the Department has worked with stakeholders across the air, maritime and rail sectors, for example, in the successful delivery of Exit Checks and the Automated Freight Targeting Capability (AFTC). This has been enabled by the establishment of the Carrier Engagement and Data Analysis Team (CEDAT), who manage both the strategic and technical relationships with carriers.

5.4 To implement the recommendation the Department will employ a revised approach to business case development which focuses on more support up front and during the course of development. This will allow such issues around business change and engagement to be identified and addressed at a much earlier stage. The new model will be fully in place by October 2016.

5.5 Senior Responsible Owners and Programme Directors are responsible for managing stakeholder relationships. Their performance is assured by the relevant Portfolio Boards and the Strategic Capabilities Board. The Department's business cases are developed in line with the principles in Treasury's *Green Book* that stakeholders' views are important considerations in options appraisal.

5.6 Further assurance is provided by a new assurance framework, introduced in March 2016, in consultation with the Cabinet Office Infrastructure and Projects Authority, to strengthen oversight of project delivery. This includes a cross disciplinary approach to ensure that targeted assurance activity tests project delivery more effectively and that issues of concern are escalated to the Department's Portfolio and Investment Committee promptly.

5.7 In addition, Border Force has a collaborative and constructive relationship with carriers on the development of passenger information systems. This approach has secured 100% Advance Passenger Information coverage on commercial airline routes and encouraged a more rapid take up by carriers on providing PNR on intra-European Economic Area routes as the EU PNR Directive is implemented. Border Force provides account manager support to carriers with connectivity and data quality issues working together on sustainable solutions.

Twenty Eighth Report of Session 2015-16

Department of Health

Access to General Practice in England

In 2014–15, there were an estimated 372 million consultations in general practice. When accessing their general practice, patients need to be able to get a convenient appointment which does not require them to wait too long and with the same doctor if that is important to them. Good access to general practice matters, because prompt diagnosis and treatment helps patients get the best outcomes when they are ill. It also reduces pressure on other parts of the NHS such as hospital accident and emergency (A&E) departments. An estimated 5.8 million visits to A&E or walk-in centres in 2012–13 followed patients not being able to get an appointment or a convenient appointment in general practice.

There are around 37,000 full-time equivalent GPs working in 7,875 practices across England. Practices also employ a range of other staff including nurses, pharmacists and administrative staff. NHS England contracts with practices to provide a range of services, and in 2014–15 spent £7.7 billion (8% of its budget) on general practice. The Department and NHS England have a range of initiatives underway to improve access to general practice, including a workforce action plan to increase staffing and the Prime Minister's GP Access Fund, which has been piloting different ways of working, including extended opening hours in the evenings and at weekends.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence from the Department of Health, NHS England, the Royal College of General Practitioners, and Healthwatch England on access to general practice in England. The Committee published its report on 9 March 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: *Stocktake of access to general practice England – Session 2015-16* (HC 611)
- PAC report: *Access to general practice in England – Session 2015-16* (HC 709)

1: Committee of Public Accounts conclusion:

Problems with recruitment and retention means there are not enough GPs to meet demand.

Recommendation:

Building on the workforce action plan, the Department, NHS England and Health Education England should set out how they plan to reduce the number of GPs leaving the profession early, informed by analysis of the interviews with older GPs; set out how they plan to attract more GPs to return to practice, and how they will monitor progress; establish which incentives work best in attracting new recruits to general practice; and report back to the Committee by December 2016 on the three points above and on progress towards having 5,000 more doctors working in general practice.

1.1 The Government accepts the Committee's recommendation.

Target implementation date: December 2016.

1.2 The *General Practice Forward View*, published in April 2016, sets out a wide range of actions that NHS England and Health Education England (HEE) are taking, in partnership with the BMA General Practitioners Committee, the Royal College of General Practitioners (RCGP) and other partner organisations, to increase by 5,000 the number of doctors working in general practice by September 2020, in line with the Government's ambitions¹. This includes measures to improve retention of existing GPs, attract more GPs to return to practice, and increase the number of doctors undertaking specialty training to become GPs. NHS England and HEE are working with the Department to develop a fuller implementation plan for these objectives.

1.3 The measures set out in the *General Practice Forward View* take into account evidence from research and interviews with doctors. They include action to encourage more medical students to choose

¹ <https://www.england.nhs.uk/ourwork/gpfv/>

general practice as a career, an increase in GP training places, an international recruitment programme, support for non-practising GPs to come back to the service, and measures to enable experienced, older GPs to continue contributing to primary care.

1.4 The Department, NHS England and HEE will track progress against these plans, including measuring and tracking the number of doctors working in general practice through the bi-annual workforce census data published by HSCIC. The Department will report back to the Committee in December 2016 with an update on progress.

2: Committee of Public Accounts conclusions:

Having good access to general practice is too dependent on where patients live because of variations in staffing levels.

Recommendation:

By December 2016, NHS England should review the effectiveness of its incentives to attract staff to areas which have relatively few general practice staff, and set out the action it will take in light of its findings.

2.1 The Government accepts the Committee's recommendation.

Target implementation date: December 2016.

2.2 The plans developed by the Department, NHS England and HEE for expanding the general practice workforce include specific measures to address those areas that have fewer general practice staff. This includes a new system of bursaries to attract GP trainees to choose practices in areas of comparative GP shortages and targeting support for GPs who return to general practice via the induction and refresher scheme at areas with the greatest recruitment challenges. NHS England will review the impact of these new measures. This will be completed by December 2016.

2.3 NHS England is also developing a strategy for supporting the practice nursing workforce, which will include action to help practices recruit and retain nursing staff. This will be completed by December 2016.

3: Committee of Public Accounts conclusion:

There is unacceptable variation in patients' experiences of getting and making appointments.

Recommendation:

NHS England should develop a strategy for identifying and sharing best practice on access to general practice, including on how to improve access for patients from minority ethnic groups, and report back to the Committee by December 2016.

3.1 The Government accepts the Committee's recommendation.

Target implementation date: December 2016.

3.2 NHS England has published regular updates from the first 20 GP Access Fund schemes on its website since they began their work in April 2015². These have included showcasing specific innovations including addressing inequalities.

3.3 NHS England has also published an independent evaluation report on the first wave GP Access Fund schemes that gives details about the innovations and models being used to improve access and care for patients, and presents evidence about the emerging outcomes.

3.4 NHS England is carrying out work to understand better how to address inequalities in access to GP services in England and will use the outcomes of this work and experience from the GP Access Fund schemes to develop future strategy, as recommended by the Committee. NHS England will work with patients, clinical commissioning groups (CCGs) and GP practices to ensure the approach taken has the greatest impact in sharing further learning and best practice and in improving access for minority ethnic groups. This will be completed by December 2016.

² <https://www.england.nhs.uk/ourwork/futurenhs/pm-ext-access/>

4: Committee of Public Accounts conclusion:

The Committee is concerned that it appears it is not always easy for people to find the information they need to access the right medical care

Recommendation:

NHS England should set out the minimum level of information that all general practices should provide to the public to help them access services easily, and it should monitor practices' compliance annually.

4.1 The Government accepts the Committee's recommendation

Recommendation implemented.

4.2 The General Medical Services contract includes a requirement for GP practices to make information about their services easily available to their patients. The contract requires practices to have a practice leaflet setting out their opening hours and how to access services. This may be reviewed by NHS England's regional teams and / or by the Care Quality Commission (CQC).

4.3 GP practices are also expected to maintain up-to-date details of their services on NHS Choices and on their practice website. These may be reviewed by NHS England's regional teams and / or the CQC.

4.4 NHS England is building on this good practice as it develops roll out access to evening and weekend appointments. Patients will need to have clear information about how to access these extended services and this will be part of local planning and implementation of the new services between 2016 and 2020.

5: Committee of Public Accounts conclusion:

The Department and NHS England do not have enough information on demand, activity or capacity to support their decisions on general practice.

Recommendations:

By September 2016 the Department and NHS England should publish a plan for improving the information they have on demand, activity and capacity in general practice, including the minimum dataset they need and how and when they plan to collect this dataset.

5.1 The Government accepts the Committee's recommendation, subject to further work to test what is affordable and practicable.

Target implementation date: September 2016.

5.2 The Department commissioned researchers from the NIHR School for Primary Care Research, led by Professor Richard Hobbs, University of Oxford and Professor Chris Salisbury, University of Bristol, to undertake new research to assess changes in consultation length and frequency since 2008-09. Key findings were published in the Lancet in April 2016 and a fuller report will be published shortly.

5.3 NHS England has commissioned a software tool to enable practices to track appointment utilisation. This is currently being piloted with 1,400 practices that form the second wave of the GP Access Fund schemes.

5.4 NHS England will use the report and findings from the GP Access Fund to identify the most cost effective way and practicable way of gathering data on demand, activity and capacity.

Twenty Ninth Report of Session 2015-16

Cabinet Office

Making whistleblowing policy work: progress update

Introduction from the Committee

Whistleblowing is when an employee raises a concern about wrongdoing, malpractice or poor practice in the workplace that has a public interest aspect to it. In August 2014 the previous committee reported on whistleblowing, noting that a positive approach to whistleblowing should exist wherever the taxpayer's pound is spent. However, the committee found that too often whistleblowers had been shockingly treated, and that departments' attempts at changing whistleblowing policy and processes for the better had not been successful in modifying a bullying culture, or in combating unacceptable behaviour. The Cabinet Office has issued whistleblowing guidance which includes detailed procedures about how to raise concerns and has responsibility for overseeing whistleblowing arrangements across the Civil Service.

Background resources

- NAO report: Making a whistleblowing policy work - Session 2013-14 (HC 1152)
- PAC report: Whistleblowing - Session 2013-14 (HC 593)
- PAC report: Making a whistleblowing policy work: progress update – Session 2015-16 (HC 602)

1: Committee of Public Accounts conclusion:

The Committee is disappointed at the slow progress made by the Cabinet Office and departments in improving whistleblowing arrangements.

Recommendation:

The Committee expects the Cabinet Office to report back to the Committee by June 2016 on progress in addressing its recommendations.

1.1 The Government accepts the Committee's recommendation.

Recommendation implemented.

1.2 Following the publication of the Committee's report, the Permanent Secretary to the Cabinet Office and the Chief Executive of the Civil Service, John Manzoni, wrote to the Committee with an update on action taken to address the Committee's concerns.

2: Committee of Public Accounts conclusion:

The Committee is concerned that the 'Task and Finish' group, established to look at whistleblowing across Whitehall, has met only once.

Recommendation:

The Government should set out what the 'Task and Finish' group's role is and how it intends to review whistleblowing arrangements across Government.

2.1 The Government accepts the Committee's recommendation.

Recommendation implemented.

2.2 The Task and Finish Group was established in 2015 in order to consider recommendations put forward by the Committee's predecessor, and new model policies put forward in the light of those recommendations. The Group reached a number of specific conclusions, including the clear need to establish specific responsibility and accountability for whistleblowing at Board level within Departments. It was not intended that the Group would have an on-going implementation or evaluation role. Therefore there are no current plans for the Group to meet again. The Government's strong view is that encouraging continuous improvement around whistleblowing practices within departments is better achieved through other mechanisms such as regular reporting of and discussion about cases, at departmental risk and audit committees. On-going oversight of performance and effectiveness in this area will be the responsibility of the Chief Executive of the Civil Service, supported by the Chief People Officer.

3: Committee of Public Accounts conclusion:

Policy and process implementation are steps in the right direction, but by themselves will not create the right environment for whistleblowers to come forward.

Recommendation:

Cabinet Office should work with departments to create the right environment for whistleblowers to come forward, including support for staff at induction, working with departments to identify the 'best in class' in what works in supporting whistleblowers, and holding departments to account where progress is below the standards expected.

3.1 The Government accepts the Committee's recommendation.

Target implementation date: Summer 2016.

3.2 The Government is clear that employees must be able to raise issues and concerns in a supportive and protective environment, and without fear that they will suffer detriment or victimisation. The Government has taken a number of steps in order to embed this kind of environment across Departments.

3.3 Updated model policies have been adopted by 90% of Departments (with those remaining ensuring existing policies are in line). The policy and supporting products provide information on sources of support available to whistleblowers, including access to employee assistance programmes, and advice on accessing legal support. Civil Service Employee Policy (CSEP) have refreshed guidance for Nominated Officers and launched a supporting toolkit in 2015, reinforcing consistency of approach. CSEP will also launch a whistleblowing product summer 2016 to support employees in raising a concern and help managers respond positively, and are working with the NAO on this.

3.4 In addition, the Government has introduced central guidance on induction for all new Non-Executive Board members, which includes briefing on whistleblowing, and the importance of effective whistleblowing policies and processes within departments. Non-Executives play a crucial role in holding Departments to account for their performance in this area.

3.5 The Government accepts, however, that whilst such policies are critical in setting both tone and expectations, they are not, on their own, enough. Departments have taken a range of steps to raise the profile and awareness of whistleblowing, introducing dedicated whistleblowing hotlines and publishing case studies on departmental intranet sites to encourage staff to blow the whistle and to build confidence that cases will be heard fairly and appropriately. CSEP have also established an on-line forum for Nominated Officers to share knowledge and good practice. More details on action taken by specific Departments were set out in the Cabinet Office's recent report to the Committee.

3.6 The Cabinet Office will continue to work with Nominated Officers and HR Directors to identify the most effective steps being taken, and ensure best practice is shared and implemented widely.

4: Committee of Public Accounts conclusion:

The Cabinet Office does not have the data it needs on whistleblowing to identify where improvements are needed.

Recommendations:

The Committee expects the Cabinet Office to share with the Committee, by the end of June 2016, an analysis of the data it has collected, and an action plan detailing how this data will be used to secure improvements where needed in departments. In the future, the Cabinet Office should collect data on an annual basis to support its role of holding departments to account on whistleblowing arrangements.

4.1 The Government accepts the Committee's recommendation.

Recommendation implemented.

4.2 The Cabinet Office has developed a new data collection tool to enable HR Directors to collect information on whistleblowing cases including how cases have been resolved, identification of systemic issues, and lessons learned. Departments are using this tool to report to their Departmental Boards, and

to the Cabinet Office, on a 6 monthly basis. The first set of data and accompanying analysis was provided to the Committee on 31 March 2016.

4.3 This data showed that there were a total of 68 reported cases of whistleblowing in the period 1 April 2015 – 30 September 2015 in 14 of the 32 Departments in scope. This is the first time whistleblowing data has been collated centrally and there are wide variations in the data being reporting. A well evidenced assessment of systemic issues or concerns will take time to emerge, and will be possible once multiple data sets are available. At this stage, a common theme emerging is that the majority of complaints were made anonymously. Whilst it is encouraging that individuals are coming forward to raise complaints, the Cabinet Office hopes that the on-going work taking place in departments to raise awareness will provide assurance to employees to enable them to raise their concerns openly.

4.4 The Cabinet Office will continue to collect data to identify trends and assess outcomes. Analysis of the 2015-16 whistleblowing data will be presented to Civil Service Board, alongside recommendations of any further action required.

4.5 Departmental Boards will play a critical role in scrutinising emerging data, and assessing the extent to which policies are operating effectively within Departments. HR Directors in all Departments have reported at least once to their Audit and Risk Committee on whistleblowing cases. To support this activity, the Cabinet Office has issued a revised *Audit and Risk Assurance Committee* handbook, incorporating additional guidance to ensure sufficient emphasis is placed on whistleblowing, and to reflect the Committee's recommendations accepted by the Government. An updated *Code of good practice on corporate governance in central Government departments* will be published.

5: Committee of Public Accounts conclusion:

The Cabinet Office's focus is limited to whistleblowing in departments rather than seeking to ensure it is also dealt with effectively in the wider public sector and in private and third sector providers delivering public services.

Recommendation:

The Cabinet Office should require the wider public sector and private and third sector providers delivering public services to both have effective whistleblowing arrangements in place and report on concerns raised by whistleblowers to identify any systemic issues.

5.1 The Government does not accept the Committee's recommendation.

5.2 In the light of concerns raised by the Committee in the course of its hearing on 7 December 2015, the Government agreed to look again at the requirements currently in place in respect of third party suppliers of public services. The Government remains clear that current contractual requirements, which reflect the legal requirements under the Public Interest Disclosure Act, are strong. Suppliers must comply with all applicable laws. The Cabinet Office recognise, however, that there is more that can be done in this area.

5.3 Departments are currently able to introduce further requirements within a contract where necessary and appropriate and some contracts already have procedures in place to allow service users to complain to either a third party or the contracting authority directly about services delivered by a contractor. The Cabinet Office is currently considering the possibility of creating a standard mechanism through which service users can escalate issues to third parties, independent of the contracts, and which would be made available for use by all contractors and government departments. The Cabinet Office will also establish a cross-government working group on whistleblowing best practices in respect of contractors, with a particular focus on contracts that provide services to vulnerable users.

5.4 Departments will continue to take an active interest in the approach taken by their NDPBs and Executive Agencies. The Department of Health (for example), receives regular reports from its arm's length bodies on processes and cases, and has led ground-breaking work within the NHS, including the introduction of the National Guardian and local guardians to ensure there is a truly open and safe culture for whistleblowers across the NHS system.

Thirtieth Report

Department of Health

Sustainability and financial performance of acute hospital trusts

Introduction from the Committee

In 2014–15, the Department of Health (the Department) allocated £98 billion of its £111 billion budget to pay for NHS services. Finances across the NHS have become increasingly tight with health funding rising at a historically low rate of 1.8% in real terms between 2010–11 and 2014–15. At 31 March 2015 there were 90 NHS trusts and 155 NHS foundation trusts, of which 55 NHS trusts and 100 NHS foundation trusts were acute hospital trusts providing healthcare services such as accident and emergency, inpatient and outpatient and in some cases specialist or community care. NHS Improvement, a new health sector regulator, brings together Monitor, the regulator for NHS foundation trusts, and the NHS Trust Development Authority, the oversight body for NHS trusts. A significant number of acute hospital trusts are in serious and persistent financial distress and many are struggling to make efficiencies to improve their financial position.

The Department and NHS England provided £1.8 billion of additional financial support to NHS trusts and NHS foundation trusts in financial difficulty in 2014–15. The *NHS Five Year Forward View*, published in October 2014, set out changes to the provision of healthcare services that aims to enable the NHS to adapt to pressures of increasing patient demand for healthcare and funding constraints. The new models of care outlined in the *Five Year Forward View* aim to break down the boundaries between primary care, hospitals and community care, and integrate services around the needs of the patient.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence from the Department of Health, NHS England and NHS Improvement on acute hospital trusts. The Committee published its report on 15 March 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: *Sustainability and financial performance of acute hospital trusts – Session 2015-16* (HC 611)
- PAC report: *Sustainability and financial performance of acute hospital trusts – Session 2015-16* (HC 709)

1: Committee of Public Accounts conclusion:

The financial performance of NHS trusts and NHS foundation trusts has deteriorated sharply and this trend is not sustainable.

Recommendation:

The Department, NHS England and NHS Improvement should make sure all trusts in deficit have realistic recovery plans by the start of the 2016–17 financial year that will lead to timely and sustainable improvements.

1.1 The Government accepts the Committee's recommendation.

Target implementation date: June 2016.

1.2 Local NHS organisations are working together, forming 44 geographical planning footprints to develop place-based five-year Sustainability and Transformation Plans. These will describe how NHS organisations will work together to meet each area's finance and efficiency challenge, and ensure the sustainability of high-quality services. Initial plans will be submitted by 30 June 2016.

1.3 One-year organisation-based operational plans, consistent with emerging Sustainability and Transformation Plans, were submitted on 18 April 2016. NHS Improvement will review the ambition and deliverability of trusts' draft plans. NHS England is not directly responsible for ensuring providers have realistic recovery plans, but will support NHS Improvement in its implementation of a financial oversight regime.

1.4 £1.6 billion of sustainability funding is being allocated to providers of emergency care, conditional on trusts agreeing to financial control totals for 2016-17 that will allow the return of aggregate financial balance. These control totals will be part of the new financial oversight regime that NHS Improvement is putting in place for 2016-17. A further £0.2 billion of sustainability funding will support providers by driving maximum efficiencies, delivering a greater than one-for-one benefit as a result of additional funding. Achievement of these control totals will deliver a significant improvement on 2015-16 financial performance across the provider sector.

2: Committee of Public Accounts conclusion:

The targets set by NHS England and Monitor for providers to make efficiencies were unrealistic and have caused long-term damage to trusts' finances.

Recommendation:

The Department, NHS England and NHS Improvement should set informed and realistic targets for providers to make efficiencies.

2.1 The Government accepts the Committee's recommendation.

Recommendation implemented.

2.2 Following consultation events, NHS England and Monitor set an efficiency rate of 2% for the 2016-17 national tariff, which is considerably lower than previous rates and more in line with historical achievement. When taken with the inflationary factors, this meant that the 2016-17 national tariff prices have increased. The plans to consult on a 2% efficiency factor for 2016-17 were reflected in the NHS planning guidance document published in December 2015³.

2.3 Moving forward NHS Improvement and NHS England are committed to gathering evidence, engaging stakeholders and setting providers an achievable annual efficiency target. While it is not possible to definitively set out what the national tariff efficiency factor will be over the next four years, it is understandable that the service needs a view on the efficiency factor to undertake planning. The Monitor / NHS Trust Development Authority guidance published in March 2016⁴ set out an assumed efficiency factor of 2% for each of the next four years.

3: Committee of Public Accounts conclusion:

The data used to estimate trusts' potential cost savings targets is seriously flawed.

Recommendation:

NHS Improvement should set out how it will work with trusts in the 2016–17 financial year to improve the quality of the data on which its savings targets are based.

3.1 The Government accepts the Committee's recommendation.

Target implementation date: January 2017.

3.2 Lord Carter's savings estimates act as an enabler by revealing unwarranted variation and thereby supporting trusts to deliver their own savings targets. The Costing Transformation Programme, launched in 2015, will deliver a step change in both the quality and use of costing information. Lord Carter's review noted that the Programme will help address inconsistency in costing approaches across the NHS, and therefore will be used to support quality and efficiency improvements.

3.3 Better information has both national and local benefits. Nationally, the information will help to improve the development of payments systems, benchmarking and assessments of efficiency. Locally, the information will enable healthcare providers make the best possible use of resources, evaluate clinical practice and support better ways of working.

³ NHS England (December 2015), *Delivering the Forward View: NHS planning guidance 2016/17 – 2020/21*
<https://www.england.nhs.uk/wp-content/uploads/2015/12/planning-guid-16-17-20-21.pdf>

⁴ Monitor (March 2016), *Economic assumptions 2016/17 to 2020/21*

<https://www.gov.uk/government/publications/economic-assumptions-201617-to-202021/economic-assumptions-201617-to-202021>

3.4 The Programme is developing new costing standards for NHS providers of acute, ambulance, mental health and community services. Standards development version 2 will be issued in January 2017, including revised Acute Standards following trial implementation, together with the first version of Mental Health and Ambulance Standards.

3.5 NHS Improvement is working closely with partners at the Department, NHS England and Health Education England to develop and implement a single annual cost collection.

4: Committee of Public Accounts conclusion:

The current system of paying providers through a national tariff does not support financial sustainability nor incentivise joined-up services.

Recommendation:

NHS England and NHS Improvement should set out proposals for changing the payment and contracting system for providers to one that supports financial and service sustainability, incentivises integration and service collaboration and reduces the need for reactive financial support to providers in difficulty.

4.1 The Government accepts the Committee's recommendation.

Target implementation date: March 2017.

4.2 The *NHS Five Year Forward View* describes new models for the organisation of integrated, collaborative care, supported by new approaches to payment and contracting. These new approaches, including the Multispecialty Community Providers, Primary and Acute Care Systems, Urgent and Emergency Care Networks and Enhanced Health in Care Homes, are currently being developed through a programme of 50 Vanguard sites across the country.

4.3 As part of this, new payment models are being developed, supported by re-designed commissioning contracts. The new payment model for Multispecialty Community Providers and Primary and Acute Care Systems will adopt a 'whole population budget' approach as the first step to a full capitation payment model. This will support service and financial sustainability and incentivise prevention, service integration and effective risk management across the system. During 2016 new payment models, contracts and procurement processes for Multispecialty Community Providers and Primary and Acute Care Systems will be developed in conjunction with a number of Vanguard sites and documented. This learning and support will be available to local commissioners to utilise in implementing new payment and contracting arrangements to enable the development of new models of care. NHS England and NHS Improvement are also developing new payment systems for mental health services.

5: Committee of Public Accounts conclusion:

Acute hospital trusts' spending on agency staff has contributed to their financial distress.

Recommendation:

NHS England and NHS Improvement should be clear that spending on agency staff is only one contributing factor to the deficit. They should set out how they will support providers to secure the collective action that is needed to get value for money from the use of agency staff as a matter of urgency.

5.1 The Government accepts the Committee's recommendation.

Recommendation implemented.

5.2 NHS Improvement has implemented national price caps for all agency staff and mandated the use of approved frameworks to support trusts in procuring high-quality agency staff at affordable rates. It is also supporting trusts to improve the efficiency of their workforce, in line with the findings of the Carter Review, and to reduce the volume of agency use.

5.3 Through a new dedicated team, NHS Improvement acts as a conduit for best practice and robust workforce planning and supports regional approaches to managing the use of agency staff. This includes encouraging streamlining of back-office services among groups of trusts and facilitating the development of regional banks.

5.4 NHS Improvement is delivering a programme of regional workshops with trusts' agency executive leads to share best practice on governance, staff engagement and reducing agency demand.

5.5 Supporting NHS trusts and foundation trusts to ensure collective action on agency staff falls under NHS Improvement's direct responsibility. NHS England will support NHS Improvement in this role.

6: Committee of Public Accounts conclusion:

There is not yet a convincing plan in place for closing the £22 billion efficiency gap and avoiding a 'black hole' in NHS finances.

Recommendation:

The Department of Health, NHS England and NHS Improvement should report to us jointly in September 2016 on their progress with implementing the NAO's recommendations and the further recommendations we make in this report.

6.1 The Government accepts the Committee's recommendation.

Target implementation date: September 2016.

6.2 The Department, NHS England and NHS Improvement will write jointly to the Committee with an update on progress on each of the recommendations. NHS England and NHS Improvement have now published details of the £22 billion efficiency programme as evidence to the Health Select Committee, which will also be shared with the Committee of Public Accounts. A further update on the Committee's recommendations will be provided in the Treasury Minute – progress review in January 2017.

Thirty First Report of Session 2015-16

Cabinet Office

Delivering Major Projects in Government

Introduction from the Committee

Government projects play a crucial role in delivering strategic objectives such as defence capability, new infrastructure and improving the efficiency of public services. Central government's biggest and riskiest projects are grouped into the Government Major Projects Portfolio (the Portfolio). In June 2015 the Portfolio comprised 149 projects with an estimated whole-life value of £511 billion. The Major Projects Authority was established in March 2011 with responsibility to provide independent assurance on the projects within the Portfolio. It was also responsible for providing support to those projects and for reporting on their performance. On 1 January 2016, the Major Projects Authority merged with Infrastructure UK to form the Infrastructure and Projects Authority.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence from the Cabinet Office and the Infrastructure and Projects Authority on delivering major projects in Government. The Committee published its report on 18 March 2016. This is the Government response to the Committee's report

Background resources

- NAO report: *Delivering major projects in government: a briefing for the Committee of Public Accounts – Session 2015-16 (HC713)*
- PAC report: *Delivering major projects in government – Session 2015-16 (HC710)*

1: Committee of Public Accounts conclusion:

The merged Infrastructure and Projects Authority's interest in promoting government projects risks compromising its ability to challenge government's performance.

Recommendation:

The Authority should maintain its focus on project assurance and support and, in January 2017, it should report to the Committee on the benefits the merger with IUK has produced, with clear examples in relation to project approvals.

1.1 The Government accepts the Committee's recommendation.

Target implementation date: January 2017.

1.2 The Authority will work through the practicalities of the merger and integration of the former IUK and MPA seeking to identify and exploit the benefits of the merger at every opportunity, whilst at the same time being vigilant to any risk. The Authority will provide an update in the Treasury Minute – progress review in January 2017.

2: Committee of Public Accounts conclusion:

The Authority does not collect the data to allow a transparent, open and honest dialogue about project performance.

Recommendation:

In its January 2017 report to the Committee, the Authority should set out how it has improved data collection and analysis, and set out clear milestones towards reporting publicly on how delivery to time, cost and quality has improved across the Portfolio.

2.1 The Government accepts the Committee's recommendation.

Target implementation date: January 2017.

2.2 The Authority will continue to provide expert commercial, delivery and financial support to projects and programmes, and manage the independent assurance regime for the government's major

projects, as well as continue to track delivery progress through the maintenance of the Government Major Projects Portfolio (GMPP) and the National Infrastructure Pipeline.

2.3 The Authority will also create a clear framework, agreed by departments, for measuring the performance of projects and programmes, and use this framework to build a comprehensive performance measurement system; and drive improved delivery by being transparent about progress and performance, and sharing lessons learned across government. This will take considerable time to implement fully and will need a significant period of operation before any trends are identifiable. The Authority will provide an update in the Treasury Minute – progress review in January 2017.

3: Committee of Public Accounts conclusion:

Over-ambition, both in terms of project budgets and timescales and across the whole Major Projects Portfolio, is among the main reasons projects are at risk.

Recommendation:

The Authority should set out for us its plans for a revised approach for early intervention. These should cover: how it will put in place effective prioritisation across government; planning innovative projects in phases; and planning for public engagement on projects which aim to change behaviour.

3.1 The Government does not accept the Committee's recommendation.

3.2 The Authority will continue to provide expert commercial, financial, delivery and leadership support to projects and programmes in their early set-up phase. The Authority will use the infrastructure route map, and oversee independent early assurance of projects and programmes.

3.3 The Authority will provide support to departments in implementing portfolio management; develop an agile and expert early intervention capability for priority projects; develop the impact of early assurance; develop better frameworks for project initiation, including the route map, and work to embed these in departmental practice.

3.4 Prioritisation decisions, whether within departments or across government are rightly linked to the accountability of Permanent Secretaries and their obligations in the management of public money. Relative investments between departments are periodically assessed by the Government through the Treasury as part of the spending review process. The Authority does not believe these responsibilities should be vested in the IPA.

4: Committee of Public Accounts conclusion:

The requirements of good project delivery are not understood well enough by policy developers and decision makers outside the project management profession.

Recommendations:

By the start of the next parliamentary session, the Authority should offer seminars and workshops to extend awareness of the project delivery process. The training should be tailored to the needs of Members of Parliament and to fast track civil servants who are likely to be responsible for major projects.

4.1 The Government accepts the Committee's recommendation.

Target implementation date: September 2016.

4.2 Building on the success of the Major Projects Leadership Academy (MPLA) and the Project Leadership Programme (PLP) in growing project leadership expertise in government, the Authority is working in partnership with the MPLA faculty to develop a broader range of education and awareness offering for senior officials up to Permanent Secretary and including Ministers. The Authority has already run a number of successful workshops and more are planned. The high level design for the bespoke workshops will be completed by the end of May 2016 and the pilot delivered by September 2016.

5: Committee of Public Accounts conclusion:

The Civil Service faces serious skills shortages in delivering major projects, especially in the commercial and digital skills needed to deliver 'transformation' projects.

Recommendation:

The Cabinet Office should set out specifically how the ongoing Civil Service reform process will accommodate the need to hire and retain people with the specialist skills, including commercial and digital technology skills, to deliver projects.

5.1 The Government accepts the Committee's recommendation.

Target implementation date: August 2016.

5.2 The Government believes the most effective method of addressing gaps in specialist skills is through the development of cross-departmental functions. Ten core functions have been identified as key to transforming and increasing the performance of the Civil Service over the next five years. Each of these functions is in the process of developing strategies to address skills shortages within their areas and improve the capability of their staff.

5.3 Planned activity varies function by function. Broadly though, in order to address skills gaps, most functions are seeking to develop the following: their learning and development offer; how they grow internal talent; by creating clear career paths; considering how they attract and hire external talent; and (where a clear need is identified) explore how functions could vary their reward offer to ensure it remains competitive with the wider market.

5.4 Work to address skills gaps is most developed in the commercial and digital functions. A programme of work is already underway to improve senior commercial expertise, through increased talent management and the offer of a new reward package. Work has also begun in the Digital function to embed new career paths and consider the need for a new Digital reward strategy. The Government will continue to explore further how it can improve the attractiveness of specialist roles within the Civil Service, to ensure we have the skills necessary to delivering major transformational projects in future.

6: Committee of Public Accounts conclusion:

Improving the delivery of benefits is a priority, but there appears to be a gap in responsibilities for ensuring their realisation.

Recommendations:

The Authority needs to push departments to state project benefits clearly and to establish appropriate data systems to measure them. It should certify that benefits are on target to be achieved before a project leaves the Portfolio. And it needs to make it clear to departments that once a project leaves the Portfolio the department is responsible for realising the agreed benefits.

6.1 The Government accepts the Committee's recommendation.

Target implementation date: January 2017.

6.2 The Authority collects benefit data quarterly from projects on the Government Major Project Portfolio Work and has already undertaken work to standardise benefits categorisation across government. Additional work is underway to further define, raise awareness and embed these categories. Implementation of appropriate data systems across government will vary depending on the size and scale of the projects and the benefits to be measured. Promoting a common set of standards and developing appropriate methodologies from the IPA will support the implementation.

6.3 The Authority will also improve responsibility and accountability for benefits management by developing a Benefits Management Framework, which will include a RACI (Responsible, Accountable, Consulted, and Informed) matrix for Benefits Management roles; review and update the Government Major Projects Portfolio exit criteria to ensure that benefits are being managed effectively and have the best chance of being realised as part of business as usual; and review the Gate 5 review process to ensure Departments have a documented process and timescales in place for these reviews.

Thirty Second Report of Session 2015-16

Cabinet Office

Transforming contract management: progress review

Introduction from the Committee

The Government spends nearly £200 billion a year with private and voluntary providers. This includes relatively simple contracts to provide goods or established services, to innovative, high-profile commissioning arrangements delivering services directly to the public, such as health and justice services. In 2013, following issues with overbilling in the Ministry of Justice's electronic monitoring contracts with G4S and Serco, the Government commissioned a series of reviews of contract management across departments. The reviews found widespread problems in contract management, including poor governance, record keeping and capacity issues. The previous Committee reported in 2014 that "problems with contracting are widespread, long standing and rooted in the culture of the civil service". Since then the Cabinet Office has led a cross-government programme to improve commercial capability.

On the basis of a report by the National Audit Office, the Committee took evidence from the Cabinet Office, Home Office and Ministry of Defence on progress made. The Committee published its report on 23 March 2016. This is the Government response to the Committee's report.

Background resources

- PAC report: Contracting out public services to the private sector – Session 2013-14 (HC 777)
- PAC report: Transforming contract management – Session 2014-15 (HC 585)
- PAC report: Transforming contract management: progress review – Session 2015-16 (HC 711)

1: Committee of Public Accounts conclusion:

There are encouraging signs of change but the current pace of progress with reform is disappointing.

Recommendation:

All departments must understand the importance of getting contract management right, redouble their efforts and step up the pace to improve their contract management and commercial capability. By the end of 2016, the Cabinet Office should report back to us with an overview of progress made by each department, identifying any departments, which fail to produce credible plans.

1.1 The Government accepts the Committee's recommendation.

Target implementation date: January 2017.

1.2 All 17 Departments are now actively engaged with the Cabinet Office in developing and agreeing 'Capability Blueprints'. These Blueprints will contain a future operating model for commercial activity and a plan to build that future model. This will include a staffing model and organisation, justified by a pipeline of procurements and commercial priorities. In addition, the Blueprints will cover, at a minimum, what the Department is doing to improve its commercial outcomes by implementing all outstanding Commercial Capability Review recommendations, improving commercial skills across all staff, and embedding commercial skills and experience into its governance. The Cabinet Office will provide an update in the Treasury Minute – progress review in January 2017.

2: Committee of Public Accounts conclusion:

The centre of government is not effectively challenging departments on slow progress.

Recommendation:

The Cabinet Office needs to step up in its role of holding departments to account for their progress, as well as supporting them where it can. By the end of 2016, the Cabinet Office should set out and implement a process for how it will intervene if departments do not cooperate, including reflecting this in performance appraisals of Departmental permanent secretaries and Commercial Directors.

2.1 The Government accepts the Committee's recommendation.

Target implementation date: January 2017.

2.2 A new way of working between the Cabinet Office and Departments is having a positive effect in respect of the Capability Blueprints. The Cabinet Office has already added additional resources to this piece of work to ensure each Department is supported in developing a high quality Blueprint. These Blueprints will be completed during summer 2016.

2.3 The Cabinet Office will also ensure that Permanent Secretaries, DGs Finance and Commercial Directors have personal objectives which include building commercial capability - as an example progress on implementing the Commercial Capability Reviews was included in the performance reviews of Permanent Secretaries this year. The Cabinet Office update will include specific remedial action with any Department that is not on track for improving its commercial capabilities including contract management. The Cabinet Office will provide an update in the Treasury Minute – progress review in January 2017.

3: Committee of Public Accounts conclusion:

There are indications that the culture is starting to change, with senior management in the civil service taking contract management and commercial capability more seriously, but there is more to do.

Recommendation:

Departments should ensure that operational contract owners are held to account by their Director General and Accounting Officer. By the end of 2016, they should also put in place a system of independent challenge outside of the line management structures whereby contract owners confirm they understand their responsibilities, and are challenged on aspects of contract and contractor performance.

3.1 The Government accepts the Committee's recommendation.

Target implementation date: January 2017.

3.2 The Cabinet Office published Commercial Standards for the first time in February 2016. These Standards will govern all commercial activity within a Department. They require that Departments should have adequately resourced Contract Management Plans and that these should be reviewed and refined by contract owners. The standards also reiterate the existing stipulation in *Managing Public Money* (4.5.3) that contract owners of appropriate seniority should be appointed to oversee commercial activity and held accountable for the commercial decisions and actions taken. The Standards will be updated in July 2016 to reflect the lessons of their first 6 months of operation

3.3 Contract Management Plans should be reviewed at least annually. A number of Departments are using attestation by contract managers as a way of assuring this. Cabinet Office will review the effectiveness of this assurance mechanism and see whether there is any best practice that should be adopted where applicable by other Departments.

3.4 The Blueprints will also give us better visibility of those roles that include responsibility for commercial decision-making but are outside of the line management of the Commercial Director. The Cabinet Office will work with Departments to find a way to assure the decisions made by personnel not directly line managed by the Commercial Director. The Cabinet Office will provide training for those people that have responsibility for commercial decision making to improve their capability. The Cabinet Office will provide an update in the Treasury Minute – progress review in January 2017.

4: Committee of Public Accounts conclusion:

Commercial roles in the civil service are not attractive enough to potential candidates.

Recommendation:

The Cabinet Office should improve the status of commercial roles, including consulting with departments on whether departmental Commercial Directors should sit on Departmental Boards; and increasing the weighting of commercial competence when considering senior civil service promotions.

4.1 The Government accepts the Committee's recommendation.

Target implementation date: March 2017.

4.2 Progress is being made in respect of improving the status of commercial roles; this includes a recent decision by the Civil Service Board to establish the Government Commercial Organisation, to be housed in the Cabinet Office. The single employer will be used to enact an enhanced pay and grading structure to improve the ability to attract and retain the most experienced and talented people.

4.3 There is recognition however that the new reward package, although more market competitive is not on a par with industry, so the Cabinet Office, in collaboration with Departments and the Treasury has been working to improve other aspects of the overall offer. This will include clearer career paths, access to more opportunities across Government via a new talent management strategy, and the development of the commercial training curriculum for both specialist and non-specialist staff.

4.4 In addition to improving the status of commercial roles, the Cabinet Office is working with HR colleagues to recognise more expressly the need for commercial awareness in any senior Civil Service role when it comes to staff development and promotion.

4.5 While each Departmental Board includes a member with commercial responsibilities, usually the Director General of Finance, the Cabinet Office will continue discussions with Permanent Secretaries on how their senior commercial managers are involved in decision-making at Board level.

5: Committee of Public Accounts conclusion:

The Cabinet Office should improve the status of commercial roles, including consulting with departments on whether departmental Commercial Directors should sit on Departmental Boards; and increasing the weighting of commercial competence when considering senior civil service promotions.

Recommendation:

Departments need to be clear with their contractors that they will be held to account, by Parliament as well as the department, for meeting user needs and being responsive if issues come to light during the running of the contract. Departments should ensure this is also codified in their contracts with these service providers.

Each department should ensure that users are clear on what they can expect from contractors and should publicise a direct route through which users, especially vulnerable groups, can escalate issues.

5.1 The Government does not accept the Committee's recommendation with respect to suppliers' direct accountability to Parliament, but is examining how best to facilitate users in escalating issues.

Target implementation date: May 2017

5.2 The Cabinet Office accepts that suppliers need to work to Government objectives and satisfy any concerns raised; this is administered through setting clear objectives and responsibilities in contracts, and within these arrangements there have already been examples where Parliamentary Committees have required suppliers to give evidence; and this is an example of how Parliament can get insight to performance in contracts. Parliament is also able to hold contractors to account through Departmental Accounting Officers and contract owners; the Government's policy is to improve supplier performance by taking past performance into account when awarding contracts, and by enhancing contract management.

5.3 As a result of this, the Cabinet Office does not believe any additional modifications needs to be made to current contracts. Notwithstanding Parliament's right to call anyone to a Select Committee, which can be used at its discretion, to ask suppliers to be directly accountable to Parliament would further diminish the attractiveness of doing business with Government, potentially further reducing the number of suppliers in any one market, and may therefore have a material negative impact on the ability to run competitive tenders for business.

5.4 With regard to whistle-blowing, some contracts already have a procedure in place to allow service users to communicate or complain to either a third party or the contracting authority directly about a public service delivered by a contractor. The Cabinet Office is examining the possibility of creating a standard

mechanism through which service users can escalate issues to third parties, independent of the contractor, data on which would be made available both to the contractors' and their departmental customers. The Cabinet Office will establish a working group on whistleblowing best practices, particularly in regards to contracts that provide services to vulnerable users.

6: Committee of Public Accounts conclusion:

Departments are not always holding contractors to account for meeting the needs of users, especially vulnerable groups, and there is a risk that the user's voice is not heard.

Recommendation:

By the end of 2016, all departments should review their contract assurance frameworks and introduce a rolling programme of assurance, including greater transparency and effective use of open book and internal audit, to ensure contractors deliver what they are supposed to and that there is no scope for misreporting.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2016.

6.2 The Commercial Standards published in February 2016 require that Departments, wherever possible and appropriate, adopt model terms of contract and Open Book contract management arrangements. The standards also require that Departments collect and use effective Management Information to manage contracts efficiently, particularly in relation to supplier performance. Departments must maintain Performance Reports for all HMG Strategic Supplier contracts over £20 million. The Cabinet Office, with the Treasury, has initiated pilots with three departments to develop and trial methods for assurance of significant programmes and projects to assess how they meet the Commercial Standards. These pilots will report at the end of 2016; there will then be consideration on how future assurance programmes with Cabinet Office will operate.

Thirty Third Report of Session 2015-16

Department for Work and Pensions

Contracted out health and disability assessments

Introduction from the Committee

The Department has increasingly used third-party contractors to provide health and disability assessments. In 2005, the Department awarded a contract to Atos Healthcare (Atos) for Incapacity Benefit and, from 2008, Employment and Support Allowance (ESA) assessments. After Atos requested to exit the ESA contract early, the Centre for Health and Disability Assessments (CHDA) a wholly-owned subsidiary within MAXIMUS, took over ESA assessments from March 2015. In July 2012, the Department signed three concurrent regional contracts to provide Personal Independence Payment (PIP) assessments: two with Atos and one with Capita Business Services Limited (Capita).

In July 2014, the Department signed a contract with Health Management Limited (HML), a wholly-owned subsidiary within MAXIMUS, to provide the Fit for Work service in England and Wales. The Department and its contractors have reduced the backlogs that existed. Outstanding PIP assessments fell from 242,000 in mid-2014 to 57,000 in August 2015, and outstanding ESA assessments from 724,000 in early 2014 to 410,000 in August 2015. Over the 3 years from April 2015 to March 2018 the Department expects to spend £1.6 billion on contracts for around 7 million health and disability assessments.

On the basis of a report by the National Audit Office, the Committee took evidence, on 3 February 2016, from the Department for Work and Pensions, Lobby Group representatives and the suppliers delivering services on behalf of the Department. The Committee published its report on 31 March 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: Contracted-out health and disability assessments – Session 2015-16 (HC 609)
- PAC report: Contracted-out health and disability assessments – Session 2015-16 (HC 727)

1: Committee of Public Accounts conclusion:

There are unacceptable local and regional variations in the performance of the Department's contractors.

Recommendation:

By autumn 2016, the Department should publish quarterly national and regional data on contractor performance and average and maximum times to return both ESA and PIP assessments.

1.1 The Government accepts the Committee's recommendation.

Target implementation date: Autumn 2016.

1.2 The Department already publishes Personal Independence Payment (PIP) management information⁵. The Department will review the management information held internally and produced by suppliers across all the health contracts. The Department will then advise the Committee of which statistically valid management information it intends to publish.

⁵ <https://www.gov.uk/government/collections/personal-independence-payment-statistics>

2: Committee of Public Accounts conclusion:

Claimants are still not receiving an acceptable level of service from contractors, with particular concerns for claimants with fluctuating and mental health conditions.

Recommendation:

As the previous committee noted in 2014, the Department needs to ensure that it, and its contractors, make the process easier for claimants and ensure it has well-trained, knowledgeable assessors who are sensitive to the complex issues that claimants are dealing with, particularly those with mental health conditions. We expect significant progress to be made within 12 months, when the Department should update the Committee.

2.1 The Government accepts the Committee's recommendation.

Target implementation date: Spring 2017.

2.2 The Department will continue to work with its suppliers on their continuous improvement programmes, to ensure their processes deliver the best possible claimant experience, including those with mental health and fluctuating conditions. Improvements will be informed, in part, by insight generated by claimant satisfaction surveys and engagement with disability representative groups. The Department will scrutinise training plans and materials, to provide assurance that arrangements and content are relevant and equip assessors to deal with claimants sensitively. The Department will continue to encourage suppliers' appointment of mental health champions and support their engagement with mental health charities to strengthen understanding in this area.

2.3 Suppliers have already committed to actions including, but not limited to: additional Continuous Professional Development training modules, increasing the number of clinical coaches and condition-specific champions by May 2016, scheduling additional training for staff undertaking assessments and exploring the possible recruitment of registered mental health nurses. The Department will also establish a senior level group across operation and contract management teams, as well as suppliers, to focus on improving service delivery throughout the claim process. The Department will report back on actions taken in spring 2017.

3: Committee of Public Accounts conclusion:

Too many assessments do not meet the standard required.

Recommendation:

The Department and contractors need to develop a more complete and effective regime for monitoring and improving the quality of assessments. This includes ensuring contractors meet the required standards for reports.

3.1 The Government accepts the Committee's recommendation.

Target implementation date: Spring 2017.

3.2 The Department expects suppliers to deliver the high standards we have set for assessments and they are revising their quality improvement plans accordingly. Strengthened reporting and monitoring arrangements will sit alongside these plans to track progress, with the Department and suppliers working collaboratively under new partnership principles to address issues with assessment quality. The Department will further improve engagement and feedback mechanisms, between Department operations and contractors, to ensure assessment quality is considered more holistically in the future. New independent arrangements are being put in place, which will increase the robustness and effectiveness of the quality audit regime and each supplier has developed actions to improve the quality of assessments. The Department will report back in spring 2017.

4: Committee of Public Accounts conclusion:

The unit cost of assessments has increased, but there has been no noticeable benefit for claimants or taxpayers.

Recommendations:

To demonstrate value for money from increasing costs, the Department must show that these costs lead directly to better performance and outcomes. The Department should update the Committee in 12 months' time on the actual costs incurred and service received.

4.1 The Government accepts the Committee's recommendation.

Target implementation date: Spring 2017.

4.2 The Department will report to the Committee in spring 2017 with the actual expenditure and performance against each contract and demonstrate what measures have been implemented to improve performance.

5: Committee of Public Accounts conclusion:

The Department appears to have repeatedly misjudged what contractors can deliver and the uncertainties underlying what can be achieved.

Recommendation:

The Department must challenge the underlying assumptions used in bids using the experience it has now acquired of the contracts in practice and set out consistent principles for identifying and handling the uncertainty of critical assumptions during procurement and the contract itself.

5.1 The Government accepts the Committee's recommendation.

Target implementation date: Spring 2017.

5.2 As a result of the experience of live running of the health assessment contracts, the Department will adopt a more rigorous approach to reviewing the assumptions used by suppliers in their bids. For complex contracts, the Department will use the Negotiated Procedure, to ensure that it is able to fully test and discuss with suppliers the critical assumptions that underpin their bid. The department has recently introduced a set of Partnership Principles across its major health assessment contracts, to ensure that where issues are identified, the Department works collaboratively with the suppliers to resolve. The Principles set out the type of relationship the Department wants to build with suppliers and will work alongside the contractual requirements.

6: Committee of Public Accounts conclusion:

There is a real risk to value for money if there is not a competitive market for health and disability assessments.

Recommendation:

The Department should consider the merits of different commercial approaches, particularly those used in markets where competition has been limited, to ensure it is well-placed to deliver value for money if market interest falls.

6.1 The Government accepts the Committee's recommendation

Target implementation date: Spring 2017.

6.2 The Department is currently undertaking a review of the health market combining market insights with policy thinking, to develop a view of our optimal future commercial strategy by summer 2016. This review will be iterative with the development of a more consolidated commercial strategy as the strategic direction of health assessment services crystallises. At this point the Department will be able to engage with suppliers and, where necessary, reshape the market to deliver value for money and minimise the risk of potential market failure.

List of Treasury Minutes 2015-20⁶

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

Session 2015-16

Committee Recommendations: 207⁷
 Recommendations accepted: 176 (85%)
 Recommendations not accepted: 31(15%)

Publication Date	PAC Reports	Ref Number
December 2015	Government response to PAC reports 1 to 3	Cm 9170
January 2016	Government response to PAC reports 4 to 8	Cm 9190
March 2016	Government response to PAC reports 9 to 14	Cm 9220
March 2016	Government response to PAC reports 15-20	Cm 9237
April 2016	Government response 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 34-42+	Cm

List of Treasury Minutes Progress Reports

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

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

⁶ List of Treasury Minute responses for Sessions 2010-15 are annexed in the Government's response to PAC Report 52

⁷ Recommendations up to May 2016

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