Treasury minutes on the eighty second report from the Committee of Public Accounts: session 2010-12 : and on the first to the fourth and the sixth to the tenth reports from the Committee of Public Accounts: session 2012-13 82nd report Accountability and oversight of education and children's services (Education); 1st report Government Procurement Card (Cabinet / Defence); 2nd report Mobile technology in policing (Home); 3rd report Efficiency and reform in government corporate functions through shared service centres (Cabinet / Education); 4th report Completion and sale of High Speed 1 (Transport); 6th report Renewed alcohol strategy (Revenue and Customs); 7th report Immigration: the points based system - student role (Home); 8th report Managing early departures in central government (Cabinet / Communities and Local Government / Work and Pensions); 9th report Preparations for the London 2012 Olympic and Paralympic Games (Culture, Media and Sport); 10th report Implementing the transparency agenda (Cabinet / Communities and Local Government)

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Correction made to page 20. Paragraph 2.3 should read:

2.3 The Department for Work and Pensions Shared Service Centre will be moved to a single executive leadership under the new SRO. This will be moved immediately with other shared service centres to form part of Independent Shared Service Centre 2 from the outset.

November 2012
LONDON: THE STATIONERY OFFICE

HM TREASURY

TREASURY MINUTES

Government response on the Eighty Second Report from the Committee of Public Accounts: Session 2010-12

and

Government responses on the First to the Fourth and on the Sixth to the Tenth Reports from the Committee of Public Accounts: Session 2012-13

Cm 8467 November 2012

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November 2012

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TREASURY MINUTES DATED 8 NOVEMBER 2012 ON THE EIGHTY SECOND REPORT FROM THE COMMITTEE OF PUBLIC ACCOUNTS: SESSION 2010-12 AND ON THE FIRST TO THE FOURTH AND THE SIXTH TO THE TENTH REPORTS FROM THE COMMITTEE OF PUBLIC ACCOUNTS: SESSION 2012-13

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Eighty Second Report

Department for Education (DFE)

Department for Education: accountability and oversight of education and children's services

Report Summary from the Committee

The Department for Education (the Department) is distributing £56.4 billion in 2011-12 to schools, local authorities and other public bodies for the delivery of education and children's services in England. Where responsibility for service delivery rests with local bodies, the Department is responsible for establishing an accountability framework for devolved spending. The Department has set out how it intends to provide Parliament with assurance about the regularity, propriety and value for money of this spending in a draft Accountability System Statement (the Statement).

The Committee has now seen three drafts and the latest iteration of the Statement has gone some way to address the Committee's initial concerns, with the Department having made better efforts to outline its accountability responsibilities within an increasingly localised delivery system. However, the Department for Education's draft Statement remains the weakest of the four Statements the Committee has seen. It reveals that the Department will rely on a mix of local accountability mechanisms, information systems, inspection, and oversight bodies to gain the necessary assurances over regularity, propriety, and value for money. The Department needs to do more work to clearly define how funding streams will be monitored, audit arrangements, and processes to support whistleblowers.

While the Statement explains how the Department gains assurance on the regularity and propriety of devolved funding for education and children's services, it places insufficient emphasis on how value for money will be achieved. Securing value for money is particularly important at a time when financial constraints are biting harder. Responsibility for value for money is shared by the Department with schools, academy trusts, local authorities, the Young People's Learning Agency (YPLA) and the Department for Communities and Local Government.

However, the Statement does not yet clearly describe the specific responsibilities of each body for achieving value for money, how these will interact to drive value for money, or how the Department will assess value for money across the entire education system. The Committee is particularly concerned that the respective responsibilities for value for money between the Department, YPLA and academy trusts seem blurred. Responsibilities and accountabilities must be clearly defined and articulated.

The Department relies on local authorities and the YPLA to exercise financial oversight over local authority maintained schools and academies respectively. However, oversight by some local authorities is currently weak and could worsen as many authorities reduce the resources they devote to overseeing their schools. More than a quarter of local authorities responding to a NAO survey were planning to reduce internal audit coverage of schools; and nearly half may not have sufficient resources to monitor their schools effectively. The Committee also has concerns about whether the YPLA will have the right skills, systems and capacity to oversee the rapidly increasing numbers of academies expected in coming years. The Committee is already picking up instances where public money appears not to be used to provide good value and the YPLA must have robust systems in place to intervene promptly where necessary.

Accountability for local authority maintained schools and academies rely on good management and effective governance. The financial management capability of local authority maintained schools has improved, but the quality of management and governance in all schools varies between institutions. Over a quarter of local authorities surveyed by the NAO thought that only a few of their primary schools had governing bodies with sufficient financial expertise. The Committee's 2011 report on the Academies Programme found that there were already signs of potential financial and governance instability even at the early stage of that Programme.

The Department, local authorities and the YPLA need better information to assess and challenge schools' financial management and governance. More consistent requirements for data and data returns must be applied to all schools so that academic and financial performance can be benchmarked, and all schools can be held accountable. The Department needs to enforce these requirements more stringently, particularly given previous problems with lack of compliance by some academies.

The Committee is concerned that the accountability framework is not sufficiently robust to address operational or financial failure of service providers. The Committee is alarmed by reports of worrying expenditure by some schools – for example, very high salaries being paid to senior staff in academies or excessive expense payments for governors – which could be symptomatic of more system-wide concerns such as the adequacy of governance and controls on value for money. Persistent school deficits or excessive surpluses may also indicate wider problems with financial management and governance that require early intervention to prevent them getting worse. The Department needs to improve its understanding of such financial indicators, so it can determine when and how it would be best to intervene to ensure public money is being put to best use.

On the basis of the Department's draft Accountability System Statement and a report by the Comptroller and Auditor General, the Committee took evidence on 28 November 2011 from the Department and the YPLA on how the Department accounts to Parliament for the use of funds allocated to it and how it gains assurance from other bodies for devolved funding. The most recent draft Accountability System Statement the Committee has seen is that provided to the Committee on 1 February 2012. This report takes into account this latest draft and also the evidence given by the Treasury and the Department for Communities and Local Government at the Committee's Accountability hearing on 6 February 2012.

Government responses to the Committee's recommendations

PAC CONCLUSIONS AND RECOMMENDATIONS 1, 2 and 5

1. The Department for Education's draft Accountability System Statement (the Statement) describes arrangements for providing assurance on regularity and propriety, but does not provide the Committee with assurances that the systems being established will achieve value for money across the sector. Responsibility for value for money is shared by the Department with the Department for Communities and Local Government, individual schools, academy trusts, local authorities and the YPLA. However, the specific responsibilities of each for achieving value for money, and how they interact to drive value for money, are not clear. Furthermore, the Department has yet to demonstrate sufficient focus on its responsibility to deliver value for money across the entire education system.

The Department should:

- ***outline in a revised Statement the responsibilities and accountabilities of each type of body for value for money, and how they interact to secure value for money across the entire education system; and***
- ***set out how it will assess whether value for money is being achieved across the entire education system, including, for example, comparing spending with results secured over time.***

2. Much of the Department's assurance on regularity, propriety and value for money comes through oversight by other bodies which are subject to major resource pressures. As they look for ways to cut costs, many local authorities are reducing the amount of staff time spent reviewing school finances. Meanwhile, the YPLA will have to oversee growing numbers of academies in the coming years, and we have early warning signs, which raise concerns about whether it has enough capacity and skilled staff to do so effectively.

The Statement should identify the financial oversight regime for all schools so that local authorities and the YPLA can appropriately resource these activities and fulfil their obligations

5. The Committee is concerned about the Department's ability to pick up warning signs of improper spending or poor value for money for the taxpayer. It is not clear whether existing monitoring and accountability mechanisms do enough to flag up concerns that should be investigated. For example, some academies have paid very high salaries to their senior staff and incurred expenditure of questionable value. Where reports emerge of individual failings, the Department must consider whether they indicate wider problems with financial management and governance, and deal with the underlying system-wide causes.

The Department must set out how it will ensure local monitoring mechanisms promptly pick up any concerns about the regularity, propriety and value for money of spending within all schools. At present too much reliance is placed on whistleblowers. The Department and its agencies must ensure that they have arrangements in place to address concerns identified by whistleblowers, but it is also crucial that systems are sufficiently robust to enable those responsible to identify problems early.

1.1 The Government agrees with the Committee's recommendations.

Recommendations implemented.

1.2 The Department assesses value for money as the educational and wider societal outcomes achieved in return for the taxpayer resources used to fund the system. The Department's revised Accountability System Statement[1] identifies the responsibilities and accountabilities of each type of body and the financial oversight regime for all schools. The Department has responsibility and accountability for the effectiveness of the financial accountability systems for maintained schools and academies. This includes ensuring there are strong accountability mechanisms to make sure that all schools achieve good value for money in using their resources.

1.3 For local authority maintained schools, local authorities are required to give specific assurances to the Department on the value for money they have achieved, and the regularity and propriety of their use of funding provided. It is for local authorities to determine an appropriate level of staffing to meet these statutory duties. In addition, all maintained schools are required to have a whistle blowing policy in place.

1.4 The accounting officer of each academy trust has personal responsibility for ensuring regularity, propriety and value for money. The financial accountability system is codified within the new Academies Financial Handbook[2] and each academy trust's Funding Agreement. Academy trusts must produce accounts that are externally audited and published and give assurances from the accounting officer that they are managing their resources appropriately and achieving value for money. In addition, all academies must have appropriate procedures for whistle blowing.

1.5 On 2 April 2012, the Education Funding Agency (EFA) took over responsibilities from the Young People's Learning Agency (YPLA) for financial oversight of academies. The EFA provides advice to support good financial management and takes a risk-based approach to monitoring the financial health of academies, offering greater autonomy to those academies with strong financial systems. The EFA will review financial statements from all academies, focussing on those statements that contain unusual financial information and on academies with known financial weaknesses. In addition, the EFA will look for other evidence of unsatisfactory financial management. The EFA will then discuss any concerns with academies, agreeing the appropriate remedial action (such as a financial action plan). Where sufficient improvement is not made, the EFA will issue a Financial Notice to Improve.

1.6 The Department recognises that, as the number of academies grows, it must have efficient administrative processes and sufficient capacity and capability to oversee the programme. The EFA has revised and clarified the Academies Financial Handbook and improved arrangements for handling enquiries from academies. In addition, it has revised the arrangements for external audit of academies' accounts from the 2011-12 academic year onwards, placing greater reliance on the professional opinion of academies' auditors, who will be required to provide an opinion on regularity in the use of public funds.

PAC CONCLUSION 3

The Department is relying on the availability of transparent, comparable information to drive value for money across the schools sector. However, incomplete and inconsistent data currently make it difficult to compare all schools on their academic performance, funding received, and use of resources. Academies are subject to different data reporting requirements from local authority maintained schools, although the Department told the Committee that the information submitted by both these school types will become comparable in future.

Lack of compliance with reporting requirements by some academies has been a problem, with almost two-fifths of academies in 2008-09 not complying with all financial reporting requirements. The Department has recognised the need to strengthen its validation of local authority maintained schools' and local authorities' data returns.

1 http://www.education.gov.uk/aboutdfe/departmentalinformation/reports

2 http://www.education.gov.uk/schools/adminandfinance/financialmanagement/efafundingfinance/b00212647/external-assurance/academies-financial-handbook

PAC RECOMMENDATION 3

The Department should set consistent requirements for reporting financial and performance information by all schools, rigorously enforce these obligations, and implement arrangements to assure the quality of the information supplied. It should publish sufficient financial and performance information to allow comparisons between individual academies and local authority maintained schools of a similar nature to be made, and this information should include funding received per pupil.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: July 2013.

3.2 The Department is making more data on school performance, funding and spending available to support benchmarking, monitoring and local accountability. The spend per pupil data in Performance Tables 2011, available on the Department's website[3], enable schools, parents and the wider public to compare maintained schools' funding, spending and attainment. This makes it possible to consider schools' efficiency and identify areas for improvement in both educational and financial terms.

3.3 In July 2012 the Department published academy trusts' finance data for 2010-11, including funding per pupil, alongside attainment data.[4] Academy trusts' finance data is currently collected on a different basis to maintained schools' data, but the Department has more closely aligned the datasets to support comparisons. The revised dataset for academy trusts will be published by July 2013. The EFA will be publishing information on allocated budgets at academy level for the 2012-13 academic year by November 2012.

3.4 The Department fully recognises the issue with academy financial reporting in 2008-09. A greater proportion of academies met the deadline for submitting 2010-11 financial statements than in 2009-10 and every academy trust that was due to submit audited financial statements for 2010-11 did so by June 2012. The EFA works closely with academies to ensure all returns are made on a timely basis. If an academy fails to provide a return, or is late without good reason, the EFA will discuss the matter with the academy concerned, consider issuing a Financial Notice to Improve and whether to carry out an audit of the academy. In addition, some financial freedoms provided for in the new Academies Financial Handbook are conditional on academies submitting financial returns on time.

3.5 The EFA validates academies' financial returns and reviews them for indicators of poor financial performance, financial management and governance. Identified concerns are followed up with academies. For maintained schools' finance data, the Department is increasing the volume of validation checks it carries out.

PAC CONCLUSION 4

Governing bodies are central to effective oversight of all schools, but the quality of governance varies. The Committee is concerned that weak governance in some schools is leading to inadequate scrutiny of, and challenge to, school leadership. The Department, local authorities and the YPLA need to identify and challenge instances of poor financial governance in particular, and promote strong oversight and challenge by governors with the necessary financial expertise. Assessments that schools are now obliged to provide – the new Schools Financial Value Standard for maintained schools and the Financial Management and Governance Evaluation for academies – may give the Department and others better information and assurance on how well governing bodies are discharging their financial oversight responsibilities.

[3] http://www.education.gov.uk/schools/performance

[4] http://www.education.gov.uk/schools/performance

PAC RECOMMENDATION 4

The Department should:

- ***by September 2012, review the operation of the Schools Financial Value Standard and the Financial Management and Governance Evaluation, to evaluate whether they are providing sufficient assurance over governance and financial management at school level; and***

- ***encourage all schools to recruit and train sufficient numbers of governors with financial expertise.***

4.1 The Government agrees with the Committee’s recommendation.

Recommendation implemented.

4.2 School governance is a critical first tier of accountability for all schools. The Department is working with stakeholders on a range of activities to improve the effectiveness of governors.

4.3 The EFA has reviewed the effectiveness of the Financial Management and Governance Evaluation (FMGE) and is implementing an improved approach which will place greater reliance on external auditors’ opinions on academy trusts’ financial management and governance. As a consequence, the FMGE return will, from September 2012, not be required for academies that have reached the point of submitting their first annual accounts. But it will be retained for new academies and as a source of guidance. As part of these changes, the EFA has streamlined the FMGE to focus on the main requirements for academies including their responsibility to ensure economy, efficiency and effectiveness – the key elements of value for money.

4.4 In the case of the Schools Financial Value Standard (SFVS), September 2012 was the start of its first full year of operation - too early for a meaningful evaluation. The deadline for all maintained schools to complete a first SFVS return is March 2013. The SFVS will feed into local authority assurance processes. The Department will continue to monitor its effectiveness through the response to its new, annual approach to local authorities whose schools have failed to complete an SFVS return without an acceptable reason.

4.5 The Education Act 2011 and the School Governance (Constitution) (England) Regulations 2012, which came into operation on 1 September 2012, allow the recruitment of governors on the basis of skills needed to conduct the governing body’s business effectively. This includes recruiting governors with financial skills. The Department is developing a communications strategy to help governors understand how to take advantage of this and embed the key messages about the role and characteristics of effective governing bodies. The Department will continue to look at how the effectiveness of governors can be increased.

4.6 The School Governors' One Stop Shop (SGOSS) is funded by the Department to recruit school governor volunteers with transferable skills from the business world. 16% of the volunteers who were recruited and placed in governing bodies with vacancies in 2011-12 by SGOSS stated they had specific financial skills. This figure is expected to rise this year as SGOSS targets its recruitment activities. The Department will continue to monitor this through its stakeholder groups.

PAC CONCLUSION AND RECOMMENDATION 6

The Department has only a limited understanding of why some local authority maintained schools are persistently in deficit or surplus.

The Department needs to undertake work to better understand the causes and consequences of persistent deficits and excessive surpluses. It should analyse the extent of deficits and surpluses among those schools under local authority control, and work with the Department for Communities and Local Government to get local authorities that have failed to resolve long-standing financial problems in their schools to address these.

6.1 The Government agrees with the Committee’s recommendation.

Recommendation implemented.

6.2 The Government believes that schools are best placed to manage their money. Nonetheless, the Government agrees that persistent, substantial deficits or surpluses are indicative of possible poor financial management.

6.3 The Department can approach a local authority if it has evidence that it is not fulfilling its functions in relation to schools' financial management. This summer the Department published proposed new arrangements to use authorities' section 251 outturn returns and Chief Financial Officer assurance statements to identify where there may be problems with the authority's or its schools' financial management.

6.4 The Department will analyse this information against a set of pre-agreed criteria based on:

- substantial over or under-spends of the Dedicated School Grant;
- persistent, substantial school-level deficits or surpluses; and
- schools' completion of the SFVS.

6.5 The Department published the final arrangements in August 2012. Where information indicates that there is reason for it to be concerned, the EFA will approach individual authorities to understand the issues better and seek appropriate additional assurances. The Department will consult the Department for Communities and Local Government as it implements the new arrangements.

First Report

Cabinet Office and Ministry of Defence

Government Procurement Card

Committee of Public Accounts report summary

The Government Procurement Card (GPC) was introduced in 1997 as a convenient and cost-effective way for government bodies to make low-value purchases. A GPC is a payment card which individuals can use to purchase goods and services. The supplier is paid immediately and the balance is paid in full each month by departments. There may be clear benefits to using the GPC, but departments must maintain strong controls over its use to reduce the risk of inappropriate use or fraud, and any subsequent reputational damage.

Transactions using the cards are quicker to process than other methods of procurement, and suppliers are paid more quickly. Use of the cards can also enable departments to have greater control by limiting what individuals can purchase and the suppliers they can use, and providing detailed management information on transactions.

However, inappropriate or fraudulent use of the card brings significant risks, both to value for money and to government's reputation. The strength of the controls in place varies significantly between departments. This is particularly evident in the Ministry of Defence (MOD), which is the biggest spender, and accounts for around three-quarters of total GPC expenditure, but which limits checks to only a sample of its transactions. One third of the Department for Work and Pensions (DWP) transactions checked by DWP did not have receipts.

All 17 central government departments operate their own card programmes, setting their own policies and controls designed to ensure staff use the cards appropriately. However, the Cabinet Office has overall responsibility for setting out Government policies on the use of the GPC. The Cabinet Office recently created a GPC Steering Group, to shape how cards should be used, and to share best practice. The Steering Group introduced a central GPC policy in November 2011, setting out a minimum standard across government.

The central policy should consider going further, for example by specifying: 100% transaction checking, blocking categories of expenditure by default, banning use of the card for certain items (such as alcohol) and ensuring that all cardholders are permanent staff members. However, the initial challenge will be for the GPC Steering Group to ensure that the policy as it stands is being implemented, and to hold departments to account where there are found to be gaps in the design and implementation of controls. Departments themselves need to improve upon these minimum standards.

It has been fourteen years since the benefits of using the GPC were quantified. As procurement processes have advanced substantially, the estimated difference in cost of using a card over other methods has reduced. The Cabinet Office has now committed to refreshing the business case, which should help departments to make the right decisions about when using the cards is the most cost-effective way of buying goods and services.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence from the Cabinet Office and the Ministry of Defence on central government's use of the Government Procurement Card.

Government responses to the Committee's recommendations

PAC CONCLUSION AND RECOMMENDATION 1

The current level of controls on the use of the Government Procurement Card (GPC) is not sufficient to prevent and deter inappropriate use. There is significant variation in the adequacy of, and compliance with, controls in departments over the use of GPC. While most departments check all transactions, the largest spender, the Ministry of Defence, checks only a sample which can be as little as 5% and, in the Department for Work and Pensions, a third of transactions tested by the NAO did not have receipts and there was a large backlog of transactions waiting to be checked.

This does not provide the Committee with adequate assurance that purchases are controlled strongly, and that they represent a suitable use of public funds. The Committee welcomes the development of the Cabinet Office's new central policy, but this will only be effective if it is implemented consistently across all Government departments.

The Committee recommends a number of actions to follow up on this:

- ***The Cabinet Office should write to departmental Accounting Officers to obtain assurance that the central policy has been implemented as a set of minimum standards, and that this is being monitored by appropriate management information.***
- ***The Cabinet Office should emphasise the Accounting Officer's responsibility to ensure strong controls over card use, and to ask departments to consider where controls could be improved to reduce the risks of inappropriate use.***
- ***The GPC Steering Group should hold departments accountable where there are gaps in their implementation of the central policy.***

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 The Government Procurement Service (GPS) issued a letter in October 2012 to all departmental Accounting Officers seeking to obtain assurances that central policy has been implemented. This letter was also used as an opportunity to emphasise the Accounting Officer's responsibilities.

1.3 The letter asked all departments to confirm that they have implemented central policy to the minimum standard; have controls in place to monitor usage, approvals, receipts and are monitoring risks; and have identified gaps in their implementation of central policy and what they plan to do to address these gaps.

1.4 Where policy has been introduced over and above the GPC Steering Group policy, departments should state what additional controls they have in place. The GPC Steering Group will collate, disseminate and use this information to help shape policy or best practice for the future across all departments.

PAC CONCLUSION AND RECOMMENDATION 2

The Ministry of Defence accounts for around three-quarters of total GPC expenditure, but its controls are weaker than in many other departments. The Department checks only a sample of transactions (between 5% and 100%). The Department told the Committee that it had made a judgement about the level of internal control versus the risk, but did not present a convincing case for ensuring probity and value with this approach. While the cost of controls should be balanced with the scale of the risk, the Committee is concerned that the balance is not appropriate here.

If it is not cost effective for the Ministry of Defence to adopt a system of 100% checks, the Department should write to the Committee to explain how it undertakes risk profiling, the rationale for setting checks at this level, and whether and how it is assured that its controls are at the right level to counter the risks of card misuse.

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

2.2 The use of GPC is subject to scrutiny to an extent which balances both the efficiency and operational benefits of the cards with achieving an acceptable level of oversight and assurance. MOD has in place an assurance framework applicable across all aspects of financial activity where the Accounting Officer's responsibility is cascaded personally through the management chain. In practice this responsibility is discharged both personally and through the governance of the Defence Audit Committee (DAC) using the independent Defence Internal Audit (DIA) and Defence Fraud teams. This framework is underpinned by key policy, guidance and assurance pillars.

2.3 Risk reduction in MOD begins with policy and process before consideration is applied to issuing a physical purchasing card, with a key objective of using electronic ordering systems accounting for some 50% of MOD GPC expenditure. Due to the nature of MOD business, it is expected that there will be an enduring need for ad hoc purchasing using individual cards, and these are monitored centrally and locally, through a matrix of responsible Budget Holders, Budget Managers and Line Managers, each of whom sample independently with specific checking for GPC also in place to guard against potential misuse for subsistence and improper purchasing activity.

2.4 The Permanent Secretary at the Ministry of Defence has written to the Committee to outline the detail of the assurance and safeguards which, now supplemented by a new Mentor team and real time MI, provides greater assurance on the MOD card use.

PAC CONCLUSION AND RECOMMENDATION 3

There are inconsistencies in how the cards are used and controlled across government. For example, some departments block certain spending categories by default, such as 'hotels and accommodation' and 'travel', while others do not. There is also considerable variation in the use of 'lodge cards' which are limited to one contracted supplier.

The GPC Steering Group should strengthen the minimum standards where appropriate, and should facilitate sharing best practice in card use across departments.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 The GPC Steering Group has strengthened minimum standards as part of the Cabinet Office central policy to address and minimise inconsistencies in card usage. The department must apply the following rules within its local processes and procedures:

GPC purchasing rules:

- Card programmes must be used in conjunction with the department's procurement acquisition model;
- Contracted suppliers must be used whenever possible to ensure items purchased are best value for money;
- Only the card holder is authorised to place orders using their card;
- Departments should allocate each cardholder two spending limits for control purposes;
    - A 'single transaction limit' – this is the maximum value of spend for a single transaction; and
    - A 'monthly spend limit' – this is the maximum value of spend during each monthly cycle.
- A detailed record of each transaction made must be kept;
- Transactions must not be split in order to avoid exceeding the single transaction limit;

- Cardholders may not benefit by gaining points on store loyalty cards, accepting sales vouchers or by any other means. This breaches policy on propriety and may be treated as a disciplinary offence in accordance with departmental policy;
- For audit purposes, cardholders must request sales receipt and goods received notes when ordering over the phone; and
- Cardholders must undertake a full reconciliation of their transaction log, receipts and statement every month and submit these to their card administrator for further scrutiny and authorisation of statement payment.

Prohibited purchases and restrictions on use:

- Departments can apply blocks to Merchant Category Groups and Merchant Category Codes in order to control spend. These blocks must not be overridden without business justification and prior authorisation from the delegated authority. For example: procurement category team.

PAC CONCLUSION AND RECOMMENDATION 4

There is insufficient control over who is eligible to hold a Government Procurement Card. Some departments prevent non-permanent members of staff from holding a card, but this is not a universal requirement. The Ministry of Defence was unable to identify how many non-permanent members of staff held a card, and admitted that this was a weakness.

Departments should review their cardholders and approvers to identify those who are not permanent staff members. Non-permanent members of staff should only be permitted to hold a card and approve expenditure in exceptional circumstances, where fully supported by a business case.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: 2 November 2012.

4.2 Departments are now required to report monthly into GPS, all non-permanent staff who have been issued with a GPC card, including whether this has been approved by a business case. This information will be reviewed and monitored by the GPC Steering Group. For these purposes, non-permanent means not on the department's payroll.

4.3 The following additional processes have been put in place by the Cabinet Office:

Card applications:

- Departments must have a clear policy for card allocation. Applications for cards must be accompanied by confirmation that budget holders approve the issue of the card within their delegated budget areas. Card applications must include a signature to confirm that the cardholder has read and accepted departmental policies and the consequences of misuse.

GPC implementation process and procedures:

- Departments must ensure that detailed internal processes and procedures are in place that covers the operation of the GPC programme.

Roles and responsibilities:

Roles and responsibilities of those managing the programme should be defined from the outset in order to ensure separation of duties. Individuals managing the programme must be permanent or fixed term members of staff and include:

- GPC policy holder – responsible for the governance and compliance of the GPC programme within the department.

- GPC card administrator – responsible for managing the day to day administration of the GPC within the business area.
- GPC cardholder – responsible for GPC purchases in line with their delegated authority and departmental GPC policy and acquisition model.
- GPC programme administrator(s) – an individual/team that is the first point of contact in relation to GPC general programme administration and liaison with the card provider.

PAC CONCLUSION AND RECOMMENDATION 5

There is no central system for collecting and monitoring instances of card fraud, or of subsequent prosecutions. The Cabinet Office conducted a one-off data collection exercise, which identified 99 cases of inappropriate use across central government in the past three years. However, it does not know how many of these cases resulted in criminal prosecutions.

Departments should report all instances of inappropriate use of the cards, and subsequent action taken, to the Cabinet Office, which should disseminate this information to all departments. The Cabinet Office's fraud taskforce should consider how to make greater use of the National Fraud Database in all types of procurement.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: 30 November 2012.

5.2 The provision of inappropriate card usage data has been put in place and all departments will report details together with subsequent action taken, to the Cabinet Office Fraud taskforce.

5.3 GPS are in discussions with the Cabinet Office Fraud taskforce to agree monthly reporting to GPS with information relating to instances of fraud which have been captured on the National Fraud Database. This will be held centrally and be made available via the GPC Steering Group for discussion and identification of breaches of policy and controls from November 2012, as well as providing further guidance to departments to improve and enhance controls.

5.4 GPS will also discuss the wider requirement of the potential usage of the National Fraud Database for all types of procurement and agree dissemination of policy guidance with the procurement policy team in the ERG (Cabinet Office).

PAC CONCLUSION AND RECOMMENDATION 6

There is no up-to-date business case to demonstrate in which circumstances use of the Government Procurement Card represents good value for money. The most recent assessment of the value-for-money of the GPC was conducted 14 years ago, and, due to significant advances in procurement systems since that time, this assessment is outdated.

The Cabinet Office should conduct a comprehensive assessment of the costs and benefits of using the cards compared with other procurement methods, and communicate its findings to all departments by autumn 2012.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: 31 December 2012.

6.2 The Cabinet Office has undertaken an initial assessment of the benefits of using GPC cards as part of the business case for the procurement of future GPC / ePurchasing Card solutions. The findings have been communicated to all departments and published on the GPS Procurement Portal website.[5]

[5] http://gps.cabinetoffice.gov.uk/contracts/rm537

6.3 The benefits of using GPC include: payment cards can play a useful part in an organisation's procurement strategy, providing a simple and efficient way to purchase of low value, high volume, low risk goods and services; it streamlines the purchase to pay process and is easy to use; high quality management information provides further analysis of spend; it helps meet Government prompt payment initiatives; it reduces the numbers of invoices and bank charges; it eliminates use of petty cash; there are no card or transaction fees; rebates are available subject to overall spend and payment terms; and suitable controls are available to reduce "maverick" and "off contract spend".

6.4 Departments and public sector organisations are advised that savings can be made when purchasing goods and services using a card based payment system. They are requested to map out internal processes and existing systems to determine the level of savings that can be achieved to determine the cost and benefit to their specific operations when compared to other procurement methods.

6.5 The GPC portal has a number of case studies which demonstrate cost and benefit. A comprehensive review has commenced, assessing the full costs and benefits of using GPC compared with other procurement methods. This will be communicated by the end of 2012.

Second Report

Home Office

Mobile technology in policing

Committee of Public Accounts report summary

The Mobile Information Programme (the Programme) ran between 2008 and 2010. The Home Office (the Department) distributed £71 million of central funding through the National Policing Improvement Agency (the Agency) to police forces to enable them to buy over 41,000 new mobile devices (such as Blackberrys and Personal Data Assistants) for police officers and police community support officers. The Department intended the Programme to support greater visibility of police officers, increase the efficiency and effectiveness of police forces, and reduce bureaucracy through the use of mobile technology.

The Programme highlights significant gaps in accountability for value for money where the Department devolves responsibility for expenditure on a national programme to local police forces. The Department had insufficient information on the outcomes of this programme to judge whether value for money had been achieved or if the Programme's objectives had been satisfied. The Department says that in future, accountability will be maintained locally through Police and Crime Commissioners; nationally to Parliament as set out in the Department's Accountability System Statement and that HM Inspectorate of Constabulary will collect data to examine value for money of police forces. However, the Committee is yet to see whether these new arrangements will ensure sufficient accountability to satisfy Parliament.

The Department's focus for this Programme was on delivering the mobile devices, rather than considering how they could be used to improve ways of working and make efficiency savings. Although some forces have used mobile devices to improve efficiency, the majority have not and the Department and the Agency do not know what the benefits of the Programme are. The measurement of benefits was only considered after funding had been distributed to forces, and then ceased in 2010 when the Programme closed. Forces themselves told the Committee that there should have been much more focus on outcomes from the start.

The Department estimated that this programme will contribute £125 million to cashable police service savings. So far, police forces have declared cashable savings of just £0.6 million; less than 1% of the amount invested by the Department in the Programme. The Agency estimates that some £1.5 billion is spent annually on police ICT which is 10% of total annual spend on policing. Reductions in central funding for police forces mean that collaboration and use of technology to make savings is essential. The Agency is being closed down this year, so progress on this will depend on the success of the new company, which aims to allow forces to respond to local IT requirements collaboratively but is based on voluntary cooperation. While the Committee welcomes the aims of this new company, arrangements for its funding and governance are still unclear. Forces told the committee that the Department needs to provide a clear set of business rules which enable forces to make value for money procurement decisions.

On the basis of a Report by the Comptroller and Auditor General, the Committee took evidence from the Department, the Agency, and representatives from police forces on the use of mobile technology in policing.

Government responses to the Committee's recommendations

PAC CONCLUSION AND RECOMMENDATION 1

So far, the Home Office has not developed a clear framework to assess the value for money of police spending. It is unclear what data will be used to support the framework, and when or how the Department would intervene to address poor value for money in police forces.

The Department should set out clearly in its Accountability System Statement the information that forces will be mandated to provide to judge value for money. The Statement should also set out the central interventions the Department would make to address poor value for money and the criteria for using these.

1.1 The Government disagrees with the Committee's recommendation around defining interventions, but agrees that the System Statement should set out the information that forces are mandated to provide.

Target implementation date: January 2013.

1.2 Core to the reform, which has been agreed by Parliament, is that Police and Crime Commissioners will be held to account locally for the financial decisions that they make and therefore the delivery of value for money. The Department is responsible for ensuring that there is an effective system in place to enable the public to judge whether or not value for money is being achieved. It is not the role of the Government to assess the spending decisions of PCCs, unless there is sufficient risk to public safety or risk to the police force. The PCC accounts will be available in the public domain, along with the police and crime plan, and the PCC budget which the PCC will submit to the local Police and Crime Panel for scrutiny. The Police and Crime Panel are empowered to call in the PCC.

1.3 The Police Reform and Social Responsibility Act 2011 sets out the information Police and Crime Commissioners are required to publish to allow the public to hold them to account. The Government has also issued the Elected Local Policing Bodies (Specified Information) Order 2011 to ensure the public can access information on the performance of their PCC. These regulations ensure transparency across the breadth of policing and PCC activity.

1.4 Her Majesty's Inspectorate of Constabulary (HMIC) will play a critical role in the new policing landscape as an independent regulator of the service, monitoring and inspecting forces to help improve performance.

1.5 The Accountability System Statement for Policing and Crime Reduction will be updated after the election of PCCs in November 2012 to reflect changes to the policing landscape.

PAC CONCLUSION AND RECOMMENDATION 2

The lack of information available to the public and Parliament on some police spending hinders effective scrutiny and accountability. Under current legislation, the Comptroller and Auditor General's (C&AG's) access to police forces' spending is limited to those central departmental grants which are ring-fenced. Parliamentary scrutiny therefore relies on the Department having good quality information on the relative performance of police forces. However, the information that the Department had on the benefits arising from the use of mobile devices was poor. The Department intends to rely on Her Majesty's Inspectorate of Constabulary (the Inspectorate) whose role has been expanded to include value for money inspection. The Department needs to have information on both the system-wide performance of the police service and the value for money of specific centrally-funded initiatives and programmes.

The Department should set out how it will ensure that the Inspectorate has sufficient capability and capacity to provide comparable performance data. The Department must also ensure that the C&AG has rights of access in legislation to examine centrally funded police expenditure.

2.1 The Government disagrees with the Committee's recommendation. As an independent body that shines a light on policy, it is for the Inspectorate rather than the Department to ensure that it has the capability and capacity to provide comparable performance data.

2.2 Legislation has strengthened HMIC's role to enable it to fulfil its role as a stronger, more independent advocate of the public interest, focussing on informing the public and ensuring that the right information is available with which forces can be held to account. With these arrangements there is no rationale for extending the C&AG's powers to cover PCCs.

2.3 The Value for Money Profiles, produced annually by HMIC, cover the full range of police expenditure based on data collected by the Chartered Institute of Public Finance and Accountancy (CIPFA), together with workforce and output data. The underlying data used to produce the Profiles is available on the *Police and Crime Comparator,*[6] which ensures that performance data is transparent to the public, PCCs and to the Government. Additionally, the HMIC Associate Scheme can source specialist policing skills at short notice.

[6] www.police.uk – also available on: www.hmic.gov.uk

PAC CONCLUSION AND RECOMMENDATION 3

The focus of the Programme was on providing mobile devices rather than on the benefits they could deliver. The Department was not clear about what outcomes the Programme should achieve by when, and did not understand baseline performance. Although most forces reported that the devices allowed them to spend more time out of the station, some said they spent less time on the beat. The Department and Agency did not know why this had happened. Some forces have used devices to save time and reduce the need for back-office staff, enabling cashable savings, but this was far from systemic.

The Department and the police must ensure that business cases and programmes focus on outcomes and benefits that are identified upfront and are based on a robust analysis of baseline performance data. At the same time they also need to provide a framework within which to measure and track progress towards those outcomes.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 The Department does not intend to undertake further programmes of this kind. The Department's policy is to adopt a new approach to procuring and managing complex police ICT requirements, driven by police forces rather than mandated by Government, with local accountability resting with PCCs.

3.3 The development of business cases; the arrangements for programme management; and the measurement of progress and outcomes in individual forces are matters for the Chief Constable and local policing body. Assurance about value for money is provided by the arrangements described in the Accountability System Statement.

3.4 In respect of programmes directly managed by the Department, the Department has robust systems for assurance and approvals of business cases and for programme management, through the Group Investment Board (GIB), quarterly portfolio reports, rigorous application of Gateway Reviews and the Capital Portfolio Management Board (CPMB). GIB provides assurance to departmental management and supervisory boards on major projects over £40 million. CPMB ensures departmental spend is optimised in line with Ministerial priorities and managed effectively, considering any project with a capital element of £1 million and over in any given financial year.

PAC CONCLUSION 4

Only a fifth of forces have used the Mobile Information Programme to improve the efficiency of their business. There are some good examples of forces using mobile technology to make improvements, such as reducing paper work, but these are the minority. Despite spending over £70 million of central funding, only £600,000 of cashable savings have so far been identified. Some forces have no devices whereas others have one for each officer and supporting staff.

The Department has a responsibility for improving the system-wide performance of policing and should set out the practical steps that it will take to fulfil that responsibility. It needs to provide all forces with the opportunity to learn from and collaborate with those who have maximised the use of mobile technology, in order to make the most of the investment already made.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2012.

4.2 Chief Constables are responsible for driving out the benefits achievable from the technology provided through the mobile information programme and are accountable to their local policing bodies. The Department is in the process of creating a College of Policing, to safeguard the public and support the fight against crime by ensuring professionalism in policing. In line with the recommendations of the recent HMIC report, *Taking Time for Crime*[7], the College will set and enhance national standards of professionalism to ensure excellence in operational policing and identifying and sharing best practice.

4.3 The Department co-chairs a Reducing Bureaucracy Programme Board, with the Association of Chief Police Officers. This has initiated a programme to improve system-wide performance by removing unnecessary bureaucracy from police processes and policies. The board has oversight of over 30 workstreams and is informed by the Reducing Bureaucracy Practitioners Group - frontline police officers with operational experience. In May 2012, the Home Secretary announced a package of policies to tackle bureaucracy, which will save 4.5 million police hours if implemented nationally – the equivalent of over 2,100 officers back on the beat.

PAC CONCLUSION AND RECOMMENDATION 5

The central contracts for buying devices were not used by most forces. Most chose to use their own suppliers due to problems with the central procurement arrangements for the Mobile Information Programme. Those forces that used mobile devices well told us that negotiating directly with suppliers resulted in increased flexibility and benefits. The Department currently mandates central buying of some items, such as body armour and off the shelf software, but is unclear whether greater mandating will deliver value for money or not. There is also uncertainty about how the new police IT company will operate and there are risks that it may not deliver the intended benefits, particularly if suppliers have too much influence.

The Department and the police need to clarify the purpose of the new company and, in particular, how it will support the implementation of the Information Systems Improvement Strategy. The Department should set out how the new company will be funded and governed. There must also be clear guidance on what police forces must buy centrally, with the benefits of this approach backed up with robust data.

5.1 The Government agrees with the Committee's recommendation for clarity about the purpose of the new company, but disagrees that clear guidance is needed on what forces must buy or how the new company should support implementation of the Information Systems Improvement Strategy (ISIS), which is no longer a government led strategy; instead it is for forces to determine whether or not an information systems improvement strategy should continue and, if so, how it should be managed.

Recommendation implemented (clarity of purpose of the new company).

5.2 Clarity on the role of the ICT Company and its governance has been provided in the written Ministerial statement, laid in the House of Commons on 16 July 2012 by the Secretary of State for the Home Department, and in the House of Lords by Lord Henley.

5.3 Government policy does not mandate ICT systems or services to forces. It is the responsibility of PCCs to ensure local policing needs are met. Therefore, ISIS is no longer a government-led or mandated strategy, although its value for money principles will be upheld by the Police ICT Company. For commodity IT, police forces, and local policing bodies decide what to buy. Regulations prescribe purchasing through the national Sprint ii framework, which has delivered £6.2 million savings to police forces between April 2011 and July 2012.

5.4 Chief Constables and PCCs do have national responsibilities, governed by the Home Office's *Strategic Policing Requirement*, published July 2012. Defining the national operational requirements of police forces will be led by the newly created Operational Requirements Board (ORB) – this board will comprise senior ACPO (Association of Chief Police Officers) representatives from core business areas.

5.5 The police owned and controlled Police ICT Company, through its board of directors, will determine how it will be governed, and the scope and operating model for the company, and will become fully operational after PCCs have been elected and taken up membership.

[7] http://www.hmic.gov.uk/media/taking-time-for-crime.pdf

Third Report

Cabinet Office and the Department for Education

Sharing services offers the public sector the chance to secure significant efficiency savings

Committee of Public Accounts report summary

Sharing services offers the public sector the chance to secure significant efficiency savings and improvements in the quality of administrative functions. Since 2004, central government has sought to reduce the cost of administering finance, human resources and procurement services through sharing back-office functions. In previous examinations the Committee found that the Government had not yet realised the potential to save taxpayers' money.

The Committee welcomes the renewed focus on improving shared services provided by the Cabinet Office's ambitious new strategy. The strategy contains risks, and has a particularly challenging timetable for implementation, but the Committee looks forward to seeing real progress this time round. The recommendations made in this report are designed to help the Cabinet Office succeed with its new strategy and with these recommendations and not, as happened following the Committees 2008 report, to ignore recommendations which, if implemented, would have left them much better placed today.

In this examination, the Committee considered five of the eight shared service centres established for central government. Whilst performing adequately, they had cost £1.4 billion to build and operate compared to an expected cost at the start of the project in 2004 of £0.9 billion. These five centres were also expected to have saved £159 million by the end of 2010-11. In the event, the Ministry of Justice centre broke-even, the Department of Work and Pensions and the Department for Environment, Food and Rural Affairs centres did not track their total savings, and the two centres that are tracking savings, the Department for Transport and Research Councils UK, have reported a net cost to date of £255 million.

The current strategy will only be effective if the Cabinet Office demonstrates strong leadership to deliver greater value for money and gets buy-in from departments. So far it has been left up to individual departments and their arm's length bodies to decide whether they use shared service centres. This has led to low take-up and so the centres are unable to achieve the economies of scale necessary to deliver savings and value for money. Those bodies which have become customers of shared service centres have retained their own processes rather than adopt those of the centre, resulting in over-complicated systems which also undermine the scope for efficiency.

The Cabinet Office must drive cultural change to secure the intended savings. The Cabinet Office should also develop comparable data on the cost and quality of services provided by the shared services centres, which should allow it to establish a baseline for current performance and set benchmarks for improvement. It should consider whether it can extend its shared services strategy to include other common functions needed by central government departments.

On the basis of a Report by the Comptroller and Auditor General, the Committee took evidence from the Cabinet Office, Department for Education and the Department for Work and Pensions on the provision of shared service centres in central government.

Government responses to the Committee's recommendations

PAC CONCLUSION 1

Shared service centres have provided poor value for money in the past. The Cabinet Office has failed to implement fully the recommendations from our 2008 report on *Improving corporate functions using shared services*, which are still relevant today. In this Inquiry, the centres the Committee considered have cost more to set up and operate than initially planned, and not delivered the expected savings, so the Government has failed to meet its stated objective. It is frustrating that the government has not learnt lessons from the past and there is a risk that the Cabinet Office's new strategy will repeat similar mistakes with, for instance, over-optimistic timescales and a lack of performance data. The timescale for the new strategy seems particularly ambitious.

PAC RECOMMENDATION 1

The Cabinet Office should prepare an implementation plan for the new shared services strategy which identifies key milestones and target savings, and explicitly addresses the recommendations in both this and our previous report. An update on progress against the milestones should be provided to the Committee by the end of December 2012.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2012.

1.2 The Civil Service Reform Plan published in June noted that: "*there has been discussion of sharing services between departments for a decade but limited progress has been made. A clear programme has been drawn up to deliver this for transactional services, and it is essential that this is delivered at pace. Remaining differences about location and accountability can no longer be allowed to delay the realisation of these very significant savings. This programme will be implemented over the next two and a half years, and a paper setting out the detailed plan will be published in a few weeks.*" The Department will publish the *Strategic Plan for Shared Services,* setting out how past barriers will be overcome, the future operating model, expected benefits - including savings and programme milestones.

1.3 The Department will report on progress to the Committee by the end of December 2012.

PAC CONCLUSION AND RECOMMENDATION 2

The Cabinet Office did not provide the strong leadership required to get buy-in from individual departments. When shared service centres were first introduced, it was not mandatory for departments to sign up and they could opt to retain their own functions or to set up their own centres. Shared service centres ended up with fewer users than anticipated and therefore have not delivered the expected economies of scale. Under the new strategy, the Cabinet Office will still not be mandating the use of shared service centres by departments.

The Cabinet Office should appoint a suitably empowered Senior Responsible Owner and seek the authority to ensure that all departments and their arm's length bodies use shared services and stop providing their own back-office functions. If this does not happen, the strategy will again fail to deliver the expected savings.

2.1 The Government agrees with the Committee's recommendation

Target implementation date: Autumn 2012.

2.2 The Department's Next Generation Shared Services (NGSS) programme includes senior sponsorship from the Head of the Civil Service who chairs a weekly Shared Services Steering Group of Permanent Secretaries and Directors General. The Chief Operating Officer for Government will assume the role of Senior Responsible Owner.

2.3 The Civil Service Reform Plan noted that "sharing services should become the norm". The Head of the Civil Service has written to departments seeking confirmation of their planning assumptions to implement central government's shared services strategy. Additionally, the Government will use spending controls, if any organisation seeks to build or procure services that sit outside of the shared services operating model.

PAC CONCLUSION 3

Overly complicated systems at the shared service centres have arisen because departmental users are unwilling to change their ways of working. Streamlining processes is key to gaining the type of efficiencies that the private sector has achieved through sharing services. But most departmental customers have not streamlined or standardised their back-office processes, leading to overly tailored services and complex systems. The lessons from those customers, who are acting more intelligently, such as the Department for Education, have not been widely shared.

PAC RECOMMENDATION 3

The Cabinet Office should ensure that lessons from 'intelligent customers' are captured and shared, in particular on standardising processes, and that they are always applied when departments join the new independent shared service centres.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: from April 2013.

3.2 Achieving common systems, processes and procedures is a key principle of the shared services strategy. Departments and arms length bodies will choose from a centrally agreed Framework of Core and Optional Services and will not be permitted to tailor services. The shared services strategy will also look to restrict the number of Enterprise Resource Planning systems to a minimum.

3.3 Following migration to shared services centres, a number of groups at both operational and strategic level will be formed to ensure that departments work collaboratively. This system of operational controls and governance arrangements will be overseen by the Cabinet Office in a new role of "Crown Oversight".

PAC CONCLUSION AND RECOMMENDATION 4

The Cabinet Office lacks comparable data on the cost and quality of corporate services provided by shared service centres. Without good data, the Cabinet Office cannot compare performance between the centres, with no baseline for current performance or relevant benchmarks against which to assess progress. The lack of data undermines the Cabinet Office's ability to have a stronger role in managing and challenging performance of shared service centres.

The Cabinet Office should build on the National Audit Office analysis to establish a baseline and set benchmarks to measure the success of its new strategy.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The Cabinet Office has worked with representatives from all major departments to establish, define and agree performance benchmarks. Reporting against these performance benchmarks has started for a number of shared service centres and will extend beyond the initial centers to cover all central government departments and key agencies from spring 2013.

PAC CONCLUSION AND RECOMMENDATION 5

The Cabinet Office's two-step implementation plan may well prove overly complex in practice. The new strategy currently includes a two-step implementation plan with Departments joining an existing shared service centre, and subsequently that centre merging into one of two new, larger centres. The Committee can see scope to better manage the transition to the new shared service structure by promptly closing smaller, uneconomic centres and simplifying roll-out to the rest of Government.

The Cabinet Office should expressly consider whether a simpler one-step implementation plan would provide better value for money.

5.1 The Government agrees with the Committee's recommendation.

5.2 As part of its oversight function, the Cabinet Office is working with departments aligned to Independent Shared Service Centres on migration and delivery plans to manage this process.

PAC CONCLUSION AND RECOMMENDATION 6

The Cabinet Office lacks a wider strategy to extend shared services beyond central government back-office functions. The Cabinet Office's new strategy maintains the past focus on sharing the central government back-office functions of human resources, finance, payroll and procurement. In local government, mid and front office services are also often shared, occasionally including key executive posts, and in central government there are other common functions which could be shared such as contact centres and ICT support.

The Cabinet Office should develop a long term strategy identifying how it plans to extend the principle of shared services beyond the present back-office functions.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: November 2012.

6.2 The Civil Service Reform Plan[8] published in June 2012 outlines that the government will seek further opportunities for sharing of services including policy making, analytical functions, legal services, internal audit, programme and project management resources, and commercial contracting procurement skills. It noted that "*sharing services should become the norm and all departments should no longer expect to maintain full freestanding operations in all these functions*". It also noted that "*Local authorities provide a good example of sharing strategic and executive functions… these experiences will inform early progress on plans*". The Civil Service Reform Plan committed to publishing plans for extended shared services in October 2012.

PAC CONCLUSION AND RECOMMENDATION 7

There is a risk that funding constraints act as a barrier to long-term investment and value for money. At present shared service centres can neither retain any savings they generate nor offset the cost of investment against future savings. The Committee understands the limited scope for 'invest to save' proposals under current cash constraints, but nevertheless consider there is scope to reconsider whether centres should be able to retain savings generated for future investment and to think more holistically about investment across government and over longer timeframes.

With this in mind, the Cabinet Office and Treasury should review funding arrangements to consider how they could be more conducive to effective long-term investment and long-term savings.

7.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2013.

7.2 The Cabinet Office will work with the Treasury to ensure that funding mechanisms do not constrain investment in shared services. A key strategic goal of shared services is to look at various legal structures and funding mechanisms and also to look at how private sector involvement might bring additional investment alongside technology and expertise.

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[8] http://resources.civilservice.gov.uk/wp-content/uploads/2012/06/Civil-Service-Reform-Plan-acc-final.pdf

Fourth Report

Department for Transport

Completion and Sale of High Speed One

Committee of Public Accounts report summary

The high speed railway linking London to the Channel Tunnel, Folkestone, known as High Speed 1, has now been fully open for almost five years. Since opening, the line has had a good performance record and the Department for Transport (the Department) can be proud of some aspects of the project. A revised timetable and budget were established in 1998 and the line was constructed within this revised timeframe and revised budget. In 2010 the Department managed the sale of HS1 Limited, which has a concession to operate the line for 30 years, in an exemplary manner. The sale, along with the Department's restructuring of Eurostar UK, which ran the British arm of the international train service, transferred most of the remaining operational risk relating to the line to the private sector, with the project debt being met by the taxpayer.

There have also been some costly mistakes in the history of this project. The Department originally expected London & Continental Railways Limited (LCR), (which was awarded the contract to build the line in 1996), to service the project debt from future revenues from Eurostar UK (the train operator). However by the end of 1997 Eurostar UK revenues were substantially below LCR's forecasts. Consequently, in 1998, the Department agreed to restructure the deal and guarantee most of LCR's debt. The Department's debt guarantees were called upon in June 2009 and the taxpayer is now servicing and repaying the project debt of £4.8 billion.

Passenger demand for international services on the line has been much lower than forecast and that is the root cause of the failure of the original deal and of the call on the Department's debt guarantees. International passenger numbers have only been one-third of LCR's original 1995 forecast and two-thirds of the level the Department forecast in 1998. The Department's planning assumptions for the line were wrong; it failed to properly consider the impact on passenger numbers of the growth of low cost airlines and the competitive response of ferry companies. Over-optimistic forecasting and insufficiently robust testing of planning assumptions is a recurring problem, as the Committees previous report on the East Coast Mainline has demonstrated. The Department must learn the lessons from the past and ensure that cost benefit analysis is solid as it develops its plans for HS2.

The Department still does not have plans in place to evaluate fully the impact of High Speed 1. Total taxpayer support for the line, over a 60 year period to 2070, has an estimated present value of £10.2 billion. Benefits for passengers from shorter journey times over this period have an estimated present value of £7 billion. The basis of this cost / benefit analysis is open to challenge. There is a risk that the value of passenger benefits is overstated, for example because the Department's methodology assumes that all time on a train is unproductive, and a further risk that the wider economic benefits are not taken into account because no appropriate analysis is made.

While difficult, it is disappointing that the Department has not attempted to understand the economic impact and local regeneration benefits achieved so far from High Speed 1. Also it has not assessed the impact on regeneration of decisions on where to locate stations. The Department will need to evaluate HS1's regeneration benefits and wider economic impacts worth many billions of pounds if the project is to demonstrate value for money. To learn from past decisions and so make well-informed investment decisions in the future the Department, as well as other government departments investing in infrastructure, must improve its understanding and measurement of the economic and regeneration benefits of new infrastructure.

On the basis of a Report by the Comptroller and Auditor General, the Committee took evidence from an expert witness and from the Department for Transport on the High Speed 1 project and the lessons that need to be learnt from it.

Government responses to the Committee's recommendations

PAC CONCLUSION AND RECOMMENDATION 1

The Department does not have sufficient understanding of the economic impact and regeneration benefits of transport infrastructure, compared with alternatives, so is not able to make fully-informed investment decisions. The Department needs a better understanding of both the economic benefits of transport investment and the relative merits of alternative investment, including non-transport options such as investment in broadband.

In assessing the benefit-to-cost ratios of future projects the Department needs to improve its estimates of the regeneration benefits and wider economic impacts they will deliver and also evaluate a wider range of alternative options.

1.1 The Government disagrees with the Committee's recommendation.

1.2 The Department has led a substantial programme of research over several years to develop guidance on appraising economic impacts and regeneration benefits. Detailed methods are included in WebTAG, the transport appraisal guidance[9], which the Department requires to be applied in appraisal of transport scheme investment decisions. WebTAG does not provide guidance on assessing non-transport alternatives. When identifying and considering options for investment, the Department considers primarily transport options but may consider other options if they could potentially offer benefits at a lower cost.

1.3 The Department continues to develop its understanding in this area and is undertaking a programme of work to understand better the economic benefits of transport investment. The Department plans to release updated appraisal guidance, which will be subject to extensive consultation, in early 2013. The Department will continue to keep its appraisal methods under review to ensure that they appropriately reflect developments in evidence and in analytical methods.

1.4 WebTAG is designed to embody best practice appraisal guidance in respect of transport. However, the Department accepts that non-transport alternatives may also need to be considered where these offer best overall value for money, and appraised, in combination with others. The Department continues to develop its capacity in this regard.

PAC CONCLUSION AND RECOMMENDATION 2

The Department gives insufficient attention to evaluating its major projects. The Department has not got an evaluation framework in place and has only recently begun to develop an evaluation plan for High Speed 1. This risks the Department retro-fitting its evaluation to reflect what has occurred on High Speed 1 rather than properly evaluating it against original expectations. If the Department does not complete a proper evaluation there is also a risk that it will miss out on learning lessons from the project; for example, about how its decisions about the locations of intermediate stations are affecting local regeneration.

The Department should develop a full evaluation framework urgently, including an assessment of the economic impact and regeneration benefits, for High Speed 1. It should also develop evaluation frameworks now for all its current major projects, and assure us that these frameworks are in place for all future projects including Crossrail and High Speed 2 (HS2).

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

2.2 The assessment of the economic impact and regeneration benefits for High Speed 1 is underway and the plan has been approved by the Permanent Secretary. The assessment is planned to be published on the Department's website by summer 2013.

[9] http://www.dft.gov.uk/webtag/

2.3 The Department recognises the importance of robust evaluation and acknowledges that this is an area for improvement, with steps already taken to ensure proportionate evaluation is put in place. The Department accepts the value of evaluation in ensuring the evidence base is built and used effectively. An evaluation is being put in place for High Speed 1 (HS1), with similar frameworks constructed for Crossrail, High Speed 2 (HS2), and future programmes.

PAC CONCLUSION AND RECOMMENDATION 3

The delivery of regeneration benefits from High Speed 1 suffered from a lack of effective leadership from the centre. Regeneration is not the Department's core purpose and responsibility, but the Department justified High Speed 1 on the basis of the regeneration it would bring around stations at King's Cross, Stratford and Ebbsfleet. Development is under way at King's Cross and Stratford but is at a very early stage at Ebbsfleet. The Department has not been involved in regeneration at Ebbsfleet because the land is owned privately and so it considered sorting out delays there to be the responsibility of others.

The Treasury should ensure that a single party has clear overall responsibility for coordinating the delivery of regeneration benefits and wider economic impacts from major public infrastructure investment.

3.1 The Government disagrees with the Committee's recommendation.

3.2 It is not for the Treasury to determine responsibility for coordinating the delivery of regeneration from major public infrastructure. The Department for Transport should work with the Department for Communities and Local Government in order to determine and coordinate these responsibilities.

3.3 The delivery of regeneration benefits from the HS1 project is being coordinated by London & Continental Railways Ltd (LCR), a limited company with the Department as sole shareholder. Regeneration is well underway around Stratford and Kings Cross / St Pancras despite the difficult economic conditions. The Department has retained a long term interest in the sites through LCR's interest in development partnerships, and will benefit from any uplift in property values. At Ebbsfleet there is no Government involvement in the regeneration which is retained in the private sector.

PAC CONCLUSION AND RECOMMENDATION 4

Over-optimistic and unrealised forecasts for passenger demand on High Speed 1 left the taxpayer saddled with £4.8 billion of debt. The Committee has seen similar problems before with forecasting for the East Coast Main Line. In the case of High Speed 1 the highly over-optimistic forecast was due in part to the Department giving insufficient weight to factors such as the emergence of low cost airlines and the competitive response of ferry companies. When deciding whether to proceed with a major infrastructure project the Department needs to do more than analyse the sensitivity of individual assumptions.

The Department should specifically consider what combination of different factors has to happen for the project to no longer be viable.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The Department's forecasting techniques have improved markedly since the early Eurostar estimates. The Department has a better understanding of what drives passenger demand, as well as improved computer modelling to estimate future demand. Forecasts have been updated to incorporate more recent data, improved techniques and a wider range of influences on rail demand.

4.3 The Department now takes greater account of downside risks, and typically undertakes extensive sensitivity analysis to test the robustness of the business case to varying input assumptions. Furthermore, for major infrastructure projects, such as HS2, the Department has used risk analysis to determine the combined impact of multiple sources of risk on the outcome.

PAC CONCLUSION AND RECOMMENDATION 5

Unrealistic passenger estimates for High Speed 1 must not be repeated in the business case for HS2. The Department's case for HS2 has modelled demand on the assumption that ticket prices for HS2 will cost the same as tickets for slower 'classic' trains between London and Birmingham. This unrealistic assumption acts to exaggerate the HS2 passenger number forecasts. In reality the operator of HS2 is likely to be able to charge a premium price and the operators of 'classic' trains would be likely to drop their prices to retain passengers.

The Department should rework their passenger demand forecasts and benefit-to-cost ratio for HS2 based on a more realistic estimate of ticket prices. Its assumptions must be transparent so that sounder judgements on passenger demand can be made in future.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2013 (to support the deposit of the Hybrid Bill for Phase 1 of HS2).

5.2 HS2 Ltd has not assumed any premium fares, sophisticated yield management or pricing policy. This was considered sufficiently robust to support the decision taken by the Secretary of State in January 2012 to proceed with high speed rail. In particular, while more sophisticated pricing structures may offer scope for competing operators to gain market share, it is not clear that this would result in worsening of the case for HS2 since similar pricing structures could also be used to improve load factors on high-speed rail services.

5.3 The availability of cheap off-peak tickets has the potential to increase the demand for long-distance high-speed rail travel relative to that reported in January 2012. It could therefore be argued that due to the enhanced capacity on HS2, demand management techniques offer considerable scope to improve the case for HS2 within a competitive market for long distance rail travel.

5.4 HS2 Ltd is currently specifying a detailed programme of work on the regulatory, commercial and market structures to understand the potential benefits that could be secured from more sophisticated pricing policies. The results of this work will be used to inform future decisions on the business case for HS2.

5.5 Fare assumptions, however, constitute only one feature of the business case for HS2 that the Government will consider in taking their decisions, as the benefits of the project will go well beyond narrow transport economics. The Government considers that building a new high speed network is the best means of delivering the step-change in the capacity and performance of Britain's inter-city rail network to support economic growth over the coming decades.

PAC CONCLUSION AND RECOMMENDATION 6

Some of the Department's assumptions about the benefit of faster travel are untenable. The Department uses a 'simplifying' assumption that all time travelling on a train is entirely unproductive. The value that it assigns to time saved by business travellers at £54 per hour also appears unfeasibly high and is more than seven times that of people commuting to and from work. These assumptions may skew appraisals of projects in favour of long-distance travel. Regeneration benefits of intermediate stations and benefits from relieving overcrowding and improving reliability may also be undervalued.

The Department should undertake research to understand better the values passengers place on different transport benefits – faster journeys, reliability and over-crowding relief - and to more accurately assess how people actually spend their time on trains.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 Work is underway to study the valuation and application of business travel time savings. The results of the work will inform the next update to the economic case for HS2 in time to support the deposit of the Hybrid Bill for Phase 1 of HS2 by December 2013.

6.3 WebTAG is kept under continuous review and is updated annually to ensure that the appraisal of the Department's spending is based on the best available evidence and analysis, including on issues such as journey time benefits, reliability and overcrowding. The Department has undertaken a review of the value of time assumptions for business travellers. This concluded that there was insufficient evidence to adopt a more sophisticated approach to the valuation of business traveller time savings, but that further sensitivity testing should be undertaken to enhance the Department's understanding of the risks of the current approach.

6.4 An independent review by leading academics from the Institute of Transport Studies at the University of Leeds was also carried out. This concluded that the approach used to assess the economic case for HS2 was fit for purpose. The review noted that while it was desirable to carry out further work into valuing travel time savings for business passengers, the WebTAG values were fit for purpose and concluded that in the short-term sensitivity tests were the only feasible way at present to handle uncertainty related to the WebTAG values used.

6.5 The Department is currently undertaking further work to study the implications of the use of travel time, and to assess the feasibility of more sophisticated treatments of business travel time savings within its appraisal methodology.

6.6 Time savings, however, constitute only one feature of business cases that the Government will consider in taking investment decisions, as the benefits of projects will go well beyond narrow transport economics. All major transport investments are considered against the five case model consistent with HM Treasury's Green Book, including consideration of the strategic, economic, financial, commercial and management cases.

Sixth Report

HM Revenue and Customs

Renewed alcohol strategy

Committee of Public Accounts report summary

In April 2010, HM Revenue and Customs (the Department) launched its renewed strategy to reduce the amount of tax lost each year due to alcohol duty evasion, principally through fraud which often involves exporting duty unpaid alcohol to the near continent, which is then redirected to the UK and released to the market with no duty paid. In 2010-11, the renewed strategy delivered £433 million in financial benefits against a target of £390 million.

The Department collected £9.5 billion of revenue from excise duties on alcohol in 2010-11. However, it estimates that there is a tax gap - the difference between taxes due and the amount actually collected - of up to £1.2 billion. The Department has not produced an estimate of the tax gap for wine, despite a commitment to our predecessors to do so. Without reliable information on the scale and nature of duty evasion for each category of alcohol (beer, wine and spirits) the Department cannot tailor its approach to target its efforts to tackle evasion to maximise value for money.

The Department does not yet have good enough information on the returns it secures from investing in specific areas of activity to make best use of the additional £917 million it plans to spend on reducing all kinds of tax avoidance and evasion. It told the Committee that the rate of return on its work to reduce alcohol duty fraud is approximately £17 to £1 but it is not clear whether it could target its resources more effectively to secure a better return on its investment.

The Department is consulting on a range of measures to reduce alcohol duty fraud, including a proposal to introduce fiscal stamps for beer, an approach which appears to have been successful in reducing duty evasion on spirits. The Department does not yet have a full understanding of the costs and benefits of these proposals, including the compliance costs for the industry of introducing fiscal stamps for beer and the impact on legitimate wholesalers and retailers.

The Department does not make best use of intelligence and technology to detect and prevent alcohol duty evasion. The Department needs to work more closely with the industry to improve its understanding of legitimate export markets, and improve how it works with the UK Border Force to gather intelligence on illegal alcohol imports. In addition, the Department does not yet use the full capability of the Excise Movement Control System (EMCS), which facilitates the tracking of freight across the European Union, and could be used to target interventions and investigations more effectively. The Department implemented EMCS in phases over two years as planned, but did not make full use of its capabilities when implementation was completed.

Despite an estimated £1.2 billion being lost each year from duty evasion there are very few successful prosecutions for alcohol duties fraud. In the four years from 2006-07 to 2009-10 the highest number of successful prosecutions in any one year was six and the highest number of defendants was 16. The Department does not take enough account of the deterrent effect of successful prosecutions when considering the cost and benefits of pursuing perpetrators through the courts.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence from the Department on its progress in implementing the revised Renewed Alcohol Strategy since April 2010.

Government responses to the Committee's recommendations

PAC CONCLUSION AND RECOMMENDATION 1

The Department does not have sufficient reliable information on returns from tackling different types of alcohol duty evasion. The absence of this information hinders its ability to direct its resources for tackling evasion to areas which deliver the most benefit. The Committee also identified this issue in its recent report on the Department's broader Compliance and Enforcement Programme.

The Department must gather better information to enable it to secure the best return on investment from its activities in tackling alcohol duty evasion. Better information will enable the Department to secure the best returns on its investment and the Committee looks forward to a precise cost-yield analysis next year on alcohol duty evasion as well as other areas of expenditure.

1.1 The Government disagrees with the Committee's recommendation.

1.2 The Department does collate data on the returns from resources deployed on tackling alcohol fraud. For the period examined by the National Audit Office (NAO), the Department's data indicates a return of approximately £17 for every £1 spent overall on tackling alcohol fraud. The level of resource and returns from each type of activity undertaken is also collated. This data has been used to inform the Department's decision, through its Spending Review 2010 (SR10) settlement, to invest a further £17.6 million in its highest yielding activities to tackle alcohol fraud, which is expected to protect an additional £770 million revenue by 2015. That is equivalent to a return of over £40 for every extra £1 spent.

PAC CONCLUSION AND RECOMMENDATION 2

The Department has not produced an estimate of the tax gap for wine despite its commitment to our predecessors to do so. The absence of information on the nature and scale of wine duty fraud undermines the basis on which the Department directs its resources to tackling wine duty evasion.

The Department should improve its understanding of the scale and nature of wine duty evasion and, in accordance with the commitment it gave to the former Committee, publish its estimate of the tax gap for wine.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: October 2013.

2.2 The Department is actively seeking to develop a reliable tax gap estimate for wine. Methodologies that the Department uses for estimating tax gaps in other excise commodities, such as tobacco, spirits and beer, have proved unsuccessful. The reason for that is that there is no reliable data available on total volume of consumption of wine in the UK, a crucial component of standard tax gap calculations. In the annual publication of *Measuring Tax Gaps 2012*, the Department estimated that, on a weighted average, if the level of fraud in wine is comparable to that found in spirits and beer, then the wine duty tax gap would be of the order of £0.3 billion. The Department is researching alternative methodologies to produce a reliable estimate for the wine tax gap and will report its progress in *Measuring Tax Gaps 2013*.

2.3 The Department acknowledges that fraud in wine presents a significant risk and does collect detailed intelligence on the nature and prevalence of the fraud, which operates in a very similar way to fraud in beer and spirits products. As a result, the Department does not deploy its resources to target specific illicit alcohol commodities - rather it targets the people behind fraud across all illicit alcohol commodities.

PAC CONCLUSION AND RECOMMENDATION 3

The Department does not make good enough use of intelligence to disrupt the organised criminal gangs responsible for much alcohol duty fraud. As perpetrators of major alcohol duty fraud cross national boundaries, collaboration with the industry, the UK Border Force and other EU Member States is essential if the Department's efforts to establish the scale of the crime and tackle it are to be successful.

The Department needs to strengthen its intelligence by developing better links with the industry, the UK Border Force and other EU Member States.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: September 2013.

3.2 The Department has recently strengthened its intelligence gathering capabilities in respect of alcohol fraud. This includes consolidation of intelligence collation, analysis and dissemination functions and detailed work with the UK Border Force to improve the exchange of intelligence. This is providing the Department with a better understanding of the scale and extent of the fraud, as well as the methodology being used by organised criminal gangs.

3.3 The Department, through its network of Fiscal Crime Liaison Officers, is engaged in developing a number of both bilateral and wider EU intelligence-sharing initiatives and operations with all relevant EU Member States.

3.4 The Department receives intelligence on alcohol fraud of varying quality from a variety of sources in the industry. Intelligence received is sifted and acted upon wherever appropriate. As suggested by the industry, the Department is discussing with industry representatives the establishment of a specific alcohol fraud forum with industry stakeholders aimed at exploring how the industry, the Department and other agencies might collaborate to tackle alcohol fraud, with a particular focus on how to maximise the sharing and use of intelligence.

PAC CONCLUSION AND RECOMMENDATION 4

The Department implemented the Excise Movement Control System (EMCS) two years ago but it is still not using the full functionality of the system to counter alcohol duty fraud. The Department told the Committee that it now has the capability to use the system to review and interrogate information on movement of excise goods within the EU although it does not yet use its full functionality to help target interventions and investigation.

The Department should set out how and when it plans to use the system to its full capability and record the impacts that it secures directly from its use of EMCS.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2013.

4.2 The Department will set out its plans in March 2013. Excise Movement Control System (EMCS) data is currently being used operationally to inform compliance and enforcement activity, for example to identify suspect movements and to interrogate movement data in real-time upon interception of goods. The Department is also developing risk functionality to enable the data held on EMCS to be analysed and manipulated to enhance its current risk targeting of fraud and the impacts it has on the fraud.

PAC CONCLUSION AND RECOMMENDATION 5

The low number of prosecutions for alcohol duty fraud suggests the Department may not be giving sufficient weight to the deterrent impact of pursuing perpetrators through the courts. In each of the four years to 2009-10 there were convictions in six cases or fewer for alcohol duties fraud.

To support informed decision-making on whether to pursue cases, the Department should carry out work to give it reliable information on the likely costs and benefits of prosecutions, including the impact of successful prosecution in deterring organised criminals.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2013.

5.2 The Government considers that the Department does give proper weight to the impact of prosecutions. However, the Government agrees that more work should be carried out to give reliable information on the likely costs and benefits.

5.3 The Department has a range of civil and criminal interventions available to tackle alcohol fraud and it decides on which tools to use, either individually or in combination, according to which have the most impact in particular cases and on the regime generally. Criminal investigations are not always the most impactful tool or the one that generates the greatest deterrent effect. The Department underpins this by an active ongoing evaluation of their comparative successes.

5.4 The Department is undertaking a project to develop more systematic assessments of costs and real impacts of interventions on which to base future planning, including in particular the deterrence effects. This will include work to assess, more accurately, intervention costs of criminal investigation and prosecution, and it will also aim to produce a periodic overall assessment of the overall impact of criminal investigations on the illicit market for alcohol.

5.5 The Department will also continue to work closely with the Strategic Centre for Organised Crime in the Home Office to deploy developing methods of assessing organised crime groups and the impact of law enforcement in tackling them.

Seventh Report

Home Office

Immigration: the points based system – student route

Committee of Public Accounts report summary

International students contribute significant economic benefit to the UK and provide an important income stream for UK education institutions. There is tension though between the twin goals of ensuring a flow of high quality students into the UK and ensuring and maintaining public confidence in the immigration system. The Home Office, through the UK Border Agency (the Agency), introduced Tier 4 of the Points Based System for student immigration in March 2009 to control the entry of students from outside the European Economic Area who come to the UK to study. Under Tier 4, students have to be sponsored by an educational institution (sponsor) licensed by the Agency and responsibility for testing whether applicants are likely to comply with their visa conditions has been transferred from the Agency to the sponsor.

The Agency implemented the new system before proper controls were in place. It removed the controls it relied on under the old system; primarily, intentions testing and spot check interviews by entry clearance officers, before it had replaced them with new checks and controls. The Agency did not make their secure electronic system, which demonstrated that a student had been sponsored by a licensed sponsor, mandatory until February 2010. In the meantime, the Agency had to rely on letters from sponsors, which were easily forged. The Agency had also only visited 30% of the education institutions it had licensed as sponsors by March 2009 when it launched Tier 4. The controls gap enabled a surge in student visas and, in 2009 an estimated 40,000 to 50,000 additional migrants came to the UK to work rather than study.

After a poorly planned and ill-thought out implementation of Tier 4 in 2009, the Agency has had to spend the subsequent three years amending rules and procedures in an effort to reduce abuse. This constant change has made it very difficult and costly for students and education institutions to keep up to date with the increasingly complex set of rules and guidance that has emerged. The supporting advice and guidance offered by the Agency has not been good enough. Furthermore, the Agency has not introduced ways to ease the burden on those students and sponsors that can safely be considered low risk, potentially damaging the benefits to the UK education sector.

The Agency has not taken sufficient action to deal with migrants abusing the student route. The Agency took the decision to focus on controls over entry to the UK. It also decided to prioritise removing individuals proven to be 'high harm', for example foreign national prisoners. However, it should not be ignoring such large numbers of people living and working in the UK illegally. Its approach also failed to capitalise on the benefit of high profile removals as a disincentive to abuse of the route. The Agency has only belatedly been removing the visas from those it knew were not studying. The Agency has not been following up on those whose visas it knew had expired.

The Government expected that clamping down on abuse of student visas would play a part in reducing net migration. However, the measurement of net migration is still based on inaccurate International Passenger Survey data. The e-Borders system for counting all migrants in and out of the UK will not be in place fully until 2015 at the earliest. The Committee notes that currently net migration figures include students, who generally stay in the UK for less than 5 years. The Committee suggests that it would be more informative to also report net migration statistics excluding students, as a number of other comparable countries do.

On the basis of a Report by the Comptroller and Auditor General, the Committee took evidence from the Home Office and the UK Border Agency on the implementation and management of the student route of the Points Based System for immigration.

Government responses to the Committee's recommendations

PAC CONCLUSION AND RECOMMENDATION 1

The Agency implemented Tier 4 of the Points Based System for students without effective controls to prevent abuse. When it launched Tier 4 in March 2009 the Agency had only visited 30% of the educational institutions (sponsors) that it had licensed, and its electronic system to confirm that students had actually been accepted on courses was not made mandatory for a further 11 months.

In the future, before new processes are rolled out, the Agency should put in place adequate controls and identify and actively manage risks before it implements changes.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 The implementation of Tier 4 was undertaken to lessen the risk inherent in the previous immigration system for International students. If the Agency had not implemented Tier 4 in March 2009, the previous system would have remained in place for another academic year. The phased implementation of Tier 4 was welcomed by the sector. Moving from a system where there was little regulation, it was important to strike the right balance – introducing stricter regulation whilst not disrupting the recruitment of international students by UK universities, schools and colleges. The Agency did have controls in place such as the licensing system and visa letters but in hindsight did not achieve the right balance.

1.3 The Agency has learned a number of lessons from the implementation of Tier 4 in March 2009. The Agency uses project management plans and principles to manage the implementation of changes to both policy and processes. This includes use of a risk assessment process to identify and actively manage risks. All policy changes are thoroughly impact assessed and the benefits evaluated. The Agency also completes a detailed elaboration process for all IT changes. Discussions with internal and external stakeholders on the impact of changes form part of this elaboration process.

PAC CONCLUSION AND RECOMMENDATION 2

Constant changes have resulted in overly complex rules and guidance. The customer support provided by the Agency has not been good enough. Due in part to poor implementation, the Agency has had to make successive changes to address weaknesses in Tier 4 controls and administrative processes. Little regard has been given to the regulatory burden and costs of constant change and unnecessary complexity on the education institution. The timings of changes have not worked well with the academic cycle and although the Agency has consulted the sector it has not acted on their responses. The Agency's customer helplines are unhelpful and the named contact points promised for highly trusted sponsors are no longer available.

- ***The Home Office should simplify the rules and guidance and keep further changes to a minimum in order to create a period of stability. If further changes are absolutely necessary, where feasible these should be timed to fit with the academic year. Regard should be had to the extra financial and regulatory burden of further changes.***
- ***The Agency should develop service level agreements which set out the responsibilities and service levels to which both the Agency and sponsors will adhere.***

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: Summer 2013.

2.2 The Government has introduced significant reforms of the student visa system which have been implemented in stages to help education providers understand and adjust to the new requirements. The Home Office seeks to minimise the frequency of changes to guidance and rules, but must be able to make policy and operational changes at short notice to reduce the risk of immigration abuse.

2.3 The Agency recognises that, over time, guidance has become longer and more complex and should be simplified. The Agency is now taking forward a comprehensive review of guidance for all categories of the immigration rules including Tier 4 of the points-based system. The review will address the length, content, accessibility and format of guidance to ensure that caseworkers make accurate decisions and sponsors are fully aware of their responsibilities. It will also consider how changes to guidance can be minimised while ensuring it remains accurate and addresses issues identified by sponsors and applicants.

2.4 Alongside the Agency's work on guidance, the Home Office is undertaking a comprehensive review of the immigration rules with the aim of simplifying their content and structure. The aim is to revise the guidance and the rules in respect of Tier 4 by summer 2013. The Agency is already consulting with representatives from the education sector to ensure their concerns are addressed. The Agency expects significant simplification of the guidance as products and services are moved online.

2.5 Following feedback from universities, the Agency has recently introduced a pilot account management service for universities to provide a dedicated point of contact as well as access to expert advice and information.

2.6 The Agency has a published service standard for sponsor licence applications: to consider 80% of applications in four weeks. Further examples of the service sponsors can expect from the Agency are set out in the Tier 4 policy guidance for sponsors. For example: the Agency will notify a suspended sponsor of a decision on the status of their licence within 28 days of receiving the sponsor's representations. The Agency will introduce additional service standards for post-licence maintenance requests and Highly Trusted Sponsor (HTS) status applications during early 2013.

2.7 The Agency is currently in the process of reviewing service standards across all workstreams.

PAC CONCLUSION AND RECOMMENDATION 3

The Agency has not minimised the regulatory burden on low-risk sponsors and students. The Regulators' Compliance Code stipulates that regulators should make full use of risk assessment in their approach. The day to day regulatory burden is the same for all sponsors regardless of whether they are high-, medium-, or low-risk. Similarly, the Agency does not discriminate sufficiently between high-, medium-, and low-risk students.

The Agency should adopt the Regulators' Compliance Code, including the introduction of ways to reduce the regulatory burden on the lowest risk students and sponsors.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 When Tier 4 was introduced, almost all Points Based System (PBS) applicants were treated the same regardless of the risk that they posed. As PBS bedded in, it become clear that such a 'one size fits all' approach was not always appropriate (there were clear differences in the compliance of certain sponsors and nationalities) and that some low-risk applicants were forced to meet a high standard of evidence despite posing little threat to effective immigration control.

3.3 In June 2011, the UK Border Agency (UKBA) introduced a streamlined application process for Tier 4 applications from countries whose nationals are considered low risk. In order to assess which applicants would be considered under this streamlined process, UKBA measured all nationalities against objective criteria, and compiled significant evidence of high levels of compliance and low risk of abuse across immigration routes generally, and within Tier 4 in particular. In addition to being a low risk, nationality applicants must also be sponsored by an institution that has HTS status. An institution only achieves HTS status if it can demonstrate that it has high rates of student compliance.

3.4 All applicants must meet the substantive requirements of the rules and students must be able to provide the appropriate documents if subsequently requested. However, UKBA in general waives the requirement to provide documentary evidence of maintenance and qualifications at the time of application. This process allows UKBA to streamline the processing of lower risk cases and target resources towards the highest risk cases. It also reduces regulatory burden on the lowest risk students in producing supporting documents.

3.5 As risk and compliance patterns change over time, UKBA ensures that PBS differentiation is regularly reviewed and updated. The risk and evidence is re-assessed annually using both the data set that UKBA initially defined and any other evidence that has since emerged. The list of nationalities is also re-assessed as and when new risks are identified. Any nationalities re-appraised as higher risk are removed from the low risk list and applicants revert to submission of all documentation as per the business as usual Tier 4 process. Similarly, any nationalities re-appraised as low risk are downgraded to the low risk list.

3.6 For sponsors, the Agency uses risk profiles to assess the level of risk of an education institution as part of the licence application and licence renewal process. This assessment determines what action the Agency takes such as whether to undertake a visit before making a decision. The Agency also uses methods such as risk assessments to guide compliance activity so that visits and other activity are focused on the areas of highest risk to the system.

3.7 The Government has afforded universities significant privileges due to their generally high levels of immigration compliance. Their students can work during their studies, some can bring family members, and they can participate in longer work placements and remain in the UK for longer periods. Universities have been given the freedom to make their own assessment of their students' language competence at degree level and above, reducing the regulatory burden on these lower-risk institutions.

3.8 The Agency expects all Tier 4 sponsors, regardless of their level of risk, to meet their basic sponsor duties and obligations to ensure effective immigration control is maintained. HTS status recognises sponsors who show a good history of compliance with their sponsor duties and whose students meet the standards of compliance with the terms of their visa or permission to stay in the UK. HTS sponsors are given certain benefits due to their compliance track record such as the ability to enrol students on National Qualifications Framework level 3 courses.

PAC CONCLUSION AND RECOMMENDATION 4

The Agency has not taken enough action to remove students who are not complying with the terms of their visas. The lack of controls when Tier 4 was implemented resulted in an estimated 40,000 to 50,000 additional people using the route to come to the UK in 2009 to work rather than study. The Agency is right to prioritise 'high harm' migrants such as foreign national prisoners, but it is not acceptable to ignore such a large population of people living and working in the UK illegally. The Agency has only belatedly started to curtail the leave to remain of those who it knows are not studying and to follow up on those whose visas have expired.

The Agency should deal urgently with migrants who are in breach of their student visas and should be clear about the circumstances in which it will remove them from the UK.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The Agency undertook to clear 123,000 outstanding Tier 4 related notifications by the end of May 2012. The Agency met this commitment, which resulted in approximately 23,000 students having their leave curtailed. The Agency has ring-fenced dedicated resource to deal specifically with non-compliant students. It is also working with its business design unit to develop a more efficient curtailment process, with improved reporting processes. The Agency expects to be at frictional levels by the end of the financial reporting year.

4.3 The Agency prefers that people leave the UK voluntarily. However, the Agency will remove individuals who do not leave voluntarily, including arresting and detaining those who refuse to comply. The Agency continues to develop an enforcement strategy aimed at addressing all those without lawful permission to remain in the UK and has plans in place to increase the volume of removals and departures during this financial year. This includes illegal migrants, over-stayers, failed asylum seekers and foreign national offenders. Improvements will be driven through a number of actions which include: monitoring departures from the UK to develop better management information on those who are still in the country; developing and implementing better processes and performance management for enforcement teams; and ensuring that a clear compliance message is communicated to the illegal migrant population.

4.4 In May 2012, a nationwide campaign was launched to target those found not to be complying with the terms of their visa, including illegitimate students to encourage voluntary departures or, where necessary, remove people by force. Through this action more than 2,000 illegal migrants who had been living in London have returned home with roughly two thirds persuaded to leave voluntarily, with one third being removed by the UK Border Agency.

4.5 The Agency will also deliver commercial solutions for increasing removals and is currently finalising its procurement for a four-year contract to provide contact management and casework services. The successful contractor will contact refused migration applicants, establishing their current circumstances where possible, and for appropriate cases, inform them of the requirement to leave the UK. Where individuals with no leave do not leave the UK voluntarily, the team will deal with specific barriers to removal such as obtaining travel documentation and will pass cases to Local Immigration Teams to enforce removal. This will build on the work already begun by teams across the country.

PAC CONCLUSION AND RECOMMENDATION 5

Data on immigration is still based on highly inaccurate International Passenger Survey data. The e-Borders system for counting all migrants in and out of the UK still only covers 55% of flights and will not be fully rolled out until 2015 at the earliest. It is not good enough to wait for e-Borders to eventually provide 100% coverage to get robust data.

The Agency should identify and make better use of alternative sources of data until e-Borders provides 100% coverage.

5.1 The Government disagrees with the Committee's recommendation.

5.2 The International Passenger Survey (IPS) is a long-standing statistical survey run by the Office for National Statistics (ONS), which has measured migration into and out of the UK for almost 50 years. Like all sample survey measures, it has a range of variance around its estimates.

5.3 The ONS published a report[10] on the statistical benefits from e-Borders which reflects the work that both the ONS and Home Office are undertaking to ensure that migration estimates continue to be fit-for-purpose. E-Borders will provide the principal primary platform to deliver the capability to record people coming in and out of the UK in due course. However, that alone will be insufficient to establish the reasons why people come and where they intend to go when in the UK, and the IPS will continue to fulfil these and other important statistical requirements. There are no alternative sources of data that can and will be able to provide the comprehensive coverage that is required to ensure the robustness of the data.

5.4 Current coverage of e-Borders is now at 100% for non-EU routes and 67% for air travel within the EU. As an interim measure UKBA is considering when and if it should introduce targeted exit checks on routes not covered by e-borders, prior to 2015.

PAC CONCLUSION AND RECOMMENDATION 6

Students are included in net migration figures but, according to the Home Office, students generally remain in the UK for fewer than five years. Australia, Canada and the USA treat international students as temporary or 'non-immigrant' admissions in their statistics and France excludes students from its temporary migration figures. The Home Office presently includes students in net migration figures. However, some academics and commentators consider that excluding students would improve the accuracy of net migration figures and allow the UK to compete more effectively in the international student market.

The Home Office should work with the Office for National Statistics to begin reporting on net migration both with and without students.

6.1 The Government disagrees with the Committee's recommendation

Target implementation date: August 2013.

6.2 The Government is committed to reducing net migration. A 2010 Home Office study: *The Migrant*

[10] http://www.ons.gov.uk/ons/guide-method/method-quality/imps/latest-news/delivering-statistical-benefits-from-e-borders/index.html

Journey, showed that 20% of those students, who arrived in 2004, were still in the immigration system in 2009 and 13% of all those migrants who settled that year originally came as students.

6.3 Students will continue to be counted in the overall net migration statistics, which are collected and published by the ONS in accordance with international norms. Eurostat requires EU member states to adopt wherever possible the UN definition of a migrant for immigration and emigration flows. This definition has been applied to migration statistics for many years within the UK. Countries such as Australia, Canada and the USA also include students in the net migration figures compiled by their national statistical authorities, even if they label them as a temporary category in their visa statistics.

6.4 However, the Government considers that transparency in the immigration statistics is vital and welcomes the improvements the ONS is planning to its methodology that will make it possible in future to better identify departing students in the emigration flows, and make the contribution of students to overall net migration clearer.

Eighth Report

Cabinet Office; Department for Communities and Local Government, and Department for Work and Pensions

Managing early departures in central government

Committee of Public Accounts report summary

The 2010 Spending Review required most departments to make cost savings, which would necessitate significant staff reductions. Departments have acted quickly to reduce their number of employees, delivering a total reduction in headcount of around 35,000 in 2011, nearly 18,000 of which have been achieved through early departures.

The initial cost to departments of these departures, which should be around £600 million, will take between 11 and 15 months to recoup, after which departments will save around £400 million per year. However, if the staff reductions achieved so far, and planned, are to be sustainable then they will need to be supported by a redesign of the way business is carried out. The Committee remains to be persuaded that all departments are putting in place the fundamental redesign in working practices that is needed to operate permanently with a lower number of staff. It is imperative that they do so.

The widespread absence of new operating models, coupled with the pace and scale of the reductions, means that there is a real risk to departments' ability to deliver services. Furthermore, the Committee is worried about the lack of clear information to track the extent to which this risk is materialising. Without clear information on performance, the Committee cannot know to what extent services are being adversely affected by staff departures. The latest round of Capability Reviews is nearly complete, but these Reviews do not link capability and actual performance.

Departments have been hampered in delivering early departures efficiently by poor management information. Departments are rightly considering individuals' performance when making decisions on whether to offer to pay staff to leave. However, the quality of data captured in performance appraisals has not been detailed enough to support this decision-making. It is clear to the Committee that improving the quality and consistency of performance appraisal arrangements across the civil service would bring both efficiency savings and better decision-making about the management of the workforce.

At the centre, the Treasury is responsible for signing off any individual exit payments that exceed the terms of the compensation scheme. The Committee were surprised to find that the Treasury does not keep proper records of such requests, and was not even confident that it had sight of all unusual payments. The Committee expect to see this rectified.

There are even greater challenges ahead. The Cabinet Office estimates that around half of the required headcount reduction is yet to come. That second half is likely to be more challenging than the first, as the more readily achievable cuts have already been made. Future rounds of staff reductions are also likely to involve more compulsory redundancies, and excellent leadership will be required to manage this while also strengthening morale across the civil service.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence from the Cabinet Office, the Department for Work and Pensions and the Head of the Home Civil Service on managing early departures in central government.

Government responses to the Committee's recommendations

PAC CONCLUSION 1

Departments do not have long-term plans in place for new ways of working with fewer staff. Although departments have moved quickly to reduce headcount, the Committee has not seen evidence, except in a small number of specific areas of how they are fundamentally rethinking the way they will operate with lower staff numbers. This means that the numbers of staff may increase once restrictions on recruitment and spending have been lifted.

PAC RECOMMENDATION 1

To ensure that the savings in staff costs are sustainable, departments should now complete long-term operating models for their business beyond the spending review period. Likewise work force plans on their own are not enough and unless departments fundamentally redesign ways of working then numbers of staff may increase over time. The Cabinet Office should ensure all departments produce these plans, review their adequacy, and report the results of this review to us by the end of the 2012-13 financial year.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: September 2013.

1.2 The Cabinet Office will bring a report to the Committee by the end of the 2012-13 financial year following the outcome of its review of seven departments' long term operating models as part of the pilot Improvement Planning process. The seven departments are: HM Revenue and Customs (HMRC), Ministry of Defence (MOD), Department for International Development (DFID), Cabinet Office (CO), Department of Health (DH), Department for Communities and Local Government (DCLG), and Foreign and Commonwealth Office (FCO).

1.3 The Cabinet Office will bring a further report in September 2013 to the Committee, which will review the remaining departments' long term operating models within the pilot Improvement Planning Process.

1.4 The Civil Service Reform Plan (the Plan), published in June 2012[11] articulates the need for departments to continually review their operating models, and to ensure that administrative resources are not only organised in the most effective and efficient manner but also that they are focused on the Coalition's priorities with appropriate resources allocated to deliver them. The Plan includes an action for all departments to review the potential of their different services to change their individual current operating arrangements; for example, to be outsourced or mutualised. A number of these new operating models will be implemented in this Parliament, incorporating departmental change programme activity already underway.

1.5 As the Plan has recognised, departments are committed to moving towards a more open, pacier culture with flatter structures. The plan also introduces Improvement Plans to replace the capability reviews. These plans will incorporate organisational performance and capability planning, with an intrinsic link to operational departmental business plans. The Improvement Plans are being piloted in a number of departments this financial year. As part of this pilot, each department will set out how they have designed their long term operating model in line with the Committee's concerns.

1.6 The Cabinet Office holds the cross departmental mandate for the efficiency and civil service reform programmes. The Cabinet Office will lead the process of reviewing the long term operating models in line with its mandate and will report to the Committee. As part of that process we will involve the Director General Peer Review Group initiated by Lord Browne, thus avoiding any risk of a single department approach in the review and creating positive challenge and new opportunities for modelling more efficient and effective delivery within and between departments.

PAC CONCLUSION AND RECOMMENDATION 2

There is a lack of information to show what effect the lower number of staff is having on departmental performance and service standards. Given the scale and pace of headcount reduction, and the lack of business redesign in departments, there are significant risks to service delivery. The latest round of Departmental Capability Reviews is approaching completion, but does not make the link between capability and actual performance.

The Cabinet Office should ensure that a new approach to Capability Reviews is in place by September 2012, to assess both capability and performance.

2.1 The Government agrees with the Committee's recommendation.

[11] http://resources.civilservice.gov.uk/wp-content/uploads/2012/06/Civil-Service-Reform-Plan-acc-final.pdf

Recommendation implemented.

2.2 Action 16 of The Civil Service Reform Plan outlined Improvement Plans which are based on four elements of organisational performance, including capability and performance. Improvement Plans will be piloted from January to March 2013 and are expected to be completed by all departments during the financial year 2013-2014. Improvement Plans will be led by departmental Boards and action will be focused on those areas which, on the basis of quantitative and qualitative management information, are priorities for the department.

PAC CONCLUSION AND RECOMMENDATION 3

Performance appraisal information is not good enough to inform individual early departure decisions. Information about employees' performance is important for departments when deciding who should be granted paid early departure and who should not. However, information from appraisals is not sufficiently detailed to inform the process, and departments had to run time-consuming and costly exercises to gather additional information. Improved arrangements for performance appraisal would not only bring cost efficiencies, but should also improve the morale of staff.

The Cabinet Office, through Civil Service Employee Policy, should work with departments to roll out the best practice performance management system that it has developed.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2013.

3.2 The Civil Service Reform Plan identified the need for departments to improve performance management. Civil Service Employee Policy is working with departments to implement the common Civil Service performance framework for staff during 2012-13.

PAC CONCLUSION AND RECOMMENDATION 4

The Treasury does not have proper control over individual exit payments that exceed the standard early departure terms. Any individual payment proposed by a department that exceeds the limits of the appropriate compensation scheme is supposed to be reviewed by the Treasury. The C&AG's report indicated that the Treasury reviewed around 400 cases in 2011. However, the Treasury does not keep adequate records of the cases they review, so it was unable to tell the Committee from which bodies it received applications, the sums involved, or whether they were approved. Furthermore, the Treasury is uncertain even whether all cases were referred to it that should have been.

The Treasury should ensure that information on all cases is recorded centrally, and that departments are held to account where they fail to refer a case for approval.

4.1 The Government disagrees with the Committee's recommendation.

4.2 Where severance payments are proposed above contractual requirements, it is the responsibility of individual departments and other relevant bodies to refer cases to the Treasury, maintain records of payments, note them in their annual accounts, and to learn lessons from individual cases. Since details of such payments are already placed in the public domain, the Government sees no need to duplicate these records centrally bearing in mind the Treasury does not have the resources to do so.

PAC CONCLUSION AND RECOMMENDATION 5

Further staff reductions will be more challenging to deliver than those achieved so far. The Cabinet Office estimates that departments have delivered around half of the expected headcount reductions. Although this is good progress, the second half are likely to be more challenging to realise, as the 'easier' savings will already have been made. As departments reach the point where most individuals who are likely to volunteer to leave have already done so, compulsory redundancy will also need to be used to a greater extent, bringing with it considerable risks to morale. Strong and transparent leadership will be essential, and staff will need clear information about the future of the business.

Permanent Secretaries should publish their personal objectives to demonstrate their accountability for the success of these change programmes.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: November 2012.

5.2 In accordance with the Government's commitment to transparency, all Permanent Secretaries will publish their objectives for 2012-13 on their departmental websites. Each set of objectives will set out business delivery objectives, corporate objectives and capability building objectives.

5.3 The Cabinet Office is working with departments to avoid the need for compulsory redundancies. The Civil Service Reform Plan recognises that departments must improve their workforce planning and ensure that talented people are recognised and deployed appropriately. Departments will continue to review their structures as part of their ongoing change programmes and departmental Improvement Plans.

5.4 Steps will be taken to increase flexible working between departments by sharing technology and office space to enable more collaborative working and knowledge sharing between departments starting in 2012-13, expanding the range of common professional services and a greater interchange of people and ideas with the private sector.

PAC CONCLUSION AND RECOMMENDATION 6

The Cabinet Office did not agree the Comptroller and Auditor General's report before publication and did not formally articulate the reasons for its disagreement. The C&AG did not receive a formal letter setting out the Cabinet Office's Accounting Officer's comments on his report in time for him to take account of them before publication, and the Cabinet Office also subsequently produced a different figure for expected savings that was not in the report. This meant that the Committee wasted time debating the accuracy of specific findings when it could have been discussing the issues raised in the report.

The Cabinet Office should in future ensure that any information to be shared with the Committee is shared with the NAO during the clearance process in sufficient time for it to be considered.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 The Cabinet Office engaged very intensively with the NAO during their evidence gathering and this resolved many of the analytical issues in the NAO report. However it did not prove possible to reconcile disagreement on the basis for calculating expected savings. The remaining reasons for disagreement were articulated to the NAO prior to publication, both at a working level and in a draft letter by the Accounting Officer, received by the C&AG on 12 March 2012. The NAO published their report on the 15 March 2012.

6.3 The Cabinet Office believes in the importance of a strong working relationship with the NAO. The Cabinet Office will do all that it can to ensure that information is shared in sufficient time for it to be considered during the clearance process.

Ninth Report

Department for Culture, Media and Sport

Preparations for the London 2012 Olympic and Paralympic Games

Committee of Public Accounts report summary

The Committee of Public Accounts took evidence from the Department for Culture, Media and Sport, the Home Office, LOCOG, Transport for London and the Olympic Park Legacy Company on preparations for the London 2012 Olympic and Paralympic Games. The Committee issued its 74th report on 9 March 2012 and the Treasury Minute – the Government's formal response - was published on 30 April 2012. The Committee took evidence from the Department for Culture, Media and Sport (the Department) and issued this follow up report on 19 July 2012.

The costs and benefits of the Games and the legacy

The Public Sector Funding Package (the Package) for the Games is and remains £9.3 billion. At the end of May 2012, £476 million of the Package was uncommitted. After allowing for the contingency set aside by the Olympic Delivery Authority to meet known risks and the Department's mid-range estimate of the cost in the event that all risks emerge, the remaining headroom in the Package was £136 million.

In relation to the costs outside the Public Sector Funding Package, the Committee accepts that some programmes contributing to the legacy may be part of normal business for government departments and other public bodies. But the Programmes are overseen by the Department's Olympics Legacy Board and the costs are additional to the £9.3 billon. These costs include the original £766 million purchase of Olympic Park land, which the Department expects will be recouped from land sales, although in the current economic climate nothing is certain. They also include costs incurred by government departments and their agencies.

Venue security costs

In the Committee's 74th report, the Committee noted that the cost of providing venue security at the Games had nearly doubled from £282 million at the time of the Government's 2010 Spending Review to £553 million in December 2011. In response to the Committee's concerns about the increased costs, the Department's position has been that it was not possible to produce final costs before the detailed venue plans and competition schedules were drawn up, and that that the costs would not have been different from where they are now had it been possible to produce a more accurate assessment earlier.

The Ministry of Defence had agreed to provide 7,500 military personnel to work as security guards during the Games. This was in addition to around 3,300 civilian volunteers. The remaining requirement for around 13,000 was to be supplied by G4S. LOCOG and the Home Office told the Committee that they were confident that G4S would be able to provide all the required private sector security guards. The Committee concluded, however, that LOCOG and G4S faced a significant challenge to recruit, train and coordinate all the security guards in time for the Games.

The Legacy

In relation to the legacy from the Games, the Committee was concerned that although Ministers had not adopted the previous Government's target of achieving one million more participants in sport by 2013, only 109,000 new people were regularly participating in sport despite £450 million spent, and that this represents poor value for money. In June 2012 Sport England announced that number of people playing sport three times a week increased by 350,000 between October 2011 and April 2012, still well short of the original target.

Government response to the Committee's summary

The Government notes the Committee's report. The Department will address any issues arising from this report at the Committee's hearing during December 2012.

Tenth Report

Cabinet Office and Department for Communities and Local Government

Implementing the transparency agenda

Committee of Public Accounts report summary

The transparency agenda is a pledge by the Coalition Government to make government more open. The Government's objectives for transparency are to strengthen public accountability, to support public service improvement by generating more comparative data and increasing user choice, and to stimulate economic growth by helping third parties develop products and services based on public information. The Government announced a programme of information release in two open Prime Minister's letters in May 2010 and July 2011, and made further commitments as part of the Autumn Statement in November 2011.

The Government has met the majority of commitments set out in the Prime Minister's letters. Public bodies in both local and central government have significantly increased the volume and range of information released, linking many datasets to the Government's data.gov.uk portal. The Committee recognise the progress made and that the case for transparency is inherently strong. There are, however, areas where further work needs to be done to realise the full benefits of transparency.

It does not help government to meet the objectives of the transparency agenda when large quantities of raw data are released without ensuring that the data are fit for purpose. Some data are very difficult to interpret, such as on local government spending, and there are important gaps in information, such as incomplete price and performance information on adult social care. The Committee is also concerned about some information not being presented on a consistent basis, again for example in local government.

Poor or incomplete data hinders the ability of users to exercise effective choice, for example on care providers. It also undermines the ability of service deliverers and policy makers to focus on improving quality.

The Government has not yet developed a full understanding of costs and benefits of making information transparent, and so decisions on what data to make available and in what form are not yet guided by value for money considerations. The Cabinet Office told the Committee that the Open Data Institute will establish a fuller evidence base on the economic and public service benefits of open data. It is important that Government evaluates progress against the full range of objectives it has set for transparency, looking for unintended as well as planned effects.

The push for release of more data has also thrown up new challenges which departments need to meet, facilitated by strong leadership from the Cabinet Office. These include questions on how to sustain interest in data after the initial launch (for example crime maps), how to ensure sufficient disclosure of information by private firms delivering government contracts, vigilance over protecting personal privacy, and how the benefits of data disclosure can be realised by those without internet access. How departments respond to these challenges will go a long way to supporting the success of the transparency agenda. On the risk to personal privacy, the Cabinet Office assured the Committee that it would set out policies and controls adequate to protect privacy in its White Paper.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence from four expert witnesses representing users of data and information released under the transparency agenda; and from the Cabinet Office, the Home Office, and the Department for Communities and Local Government on how the transparency agenda is being implemented across Government.

Government responses to the Committee's recommendations

PAC CONCLUSION AND RECOMMENDATION 1

The Government has set public accountability, service improvement and economic growth objectives for its transparency agenda, but it is not clear that the data released will enable government to meet those objectives. The Committee is concerned about gaps in giving relevant information in some sectors to inform choice and accountability, and about the comparability of information where data is incomplete or of poor quality. For example, the price and performance information for adult social care is incomplete and cannot be easily compared across local authority boundaries.

In developing open data strategies, the Cabinet Office should ensure that Departments specify what information will be released, and that it is adequate to meet stated transparency objectives.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: late 2012.

1.2 In June 2012, each government department published an Open Data Strategy. These set out a series of actions to help departments to present information to support public accountability; service improvement and economic growth. The Cabinet Office has put in place a robust monitoring process against delivery of the data commitments. In December 2012 an update will be provided to Parliament, via a Written Ministerial Statement, on how departments are meeting their open data commitments. Additionally data.gov.uk now incorporates an algorithm to automatically rate data releases according to the 5* Open Data scheme adopted in the Open Data white paper.

1.3 Furthermore, in late 2012 the Government will publish a forward look of data releases on data.gov.uk, which will set out exactly what information government departments will be releasing over the next two years, at least. Data releases will be subject to an external challenge via existing governance structures such as the Open Data User Group and the Public Sector Transparency Board, who will judge whether or not datasets are meeting the objectives of the transparency agenda and help to prioritise future datasets. The Open Data User Group has also released a form on data.gov.uk for businesses and individuals to highlight those datasets which would be the best to release for free. These recommendations will be taken to government departments and the Data Strategy Board.

PAC CONCLUSION AND RECOMMENDATION 2

The presentation of much government data is poor. The Cabinet Office recognises problems with the functionality and usability of its data.gov.uk portal. Government efforts to help users access data, as in crime maps and the schools performance website, have yielded better rates of access. But simply dumping data without appropriate interpretation can be of limited use and frustrating. Four out of five people who visit the Government website leave it immediately without accessing links to data. So there is a clear benefit to the public when government data is analysed and interpreted by third parties – whether that be, for example, by 'think tanks', journalists, or those developing online products and smartphone applications. Indeed, the success of the transparency agenda depends on such broader use of public data.

The Cabinet Office should ensure that:

- ***the publication of data is accessible and easily understood by all; and***
- ***where government wants to encourage user choice, there are clear criteria to determine whether government itself should repackage information to promote public use, or whether this should be done by third parties.***

2.1 The Government agrees with the Committee's recommendation.

Target Implementation Date: Ongoing.

2.2 The Government believes that raw data must be made available in a way in which people can use. The Cabinet Office has three different approaches:

i. The government is improving the access to and the quality of raw data. As a result of the recent re-launch of data.gov.uk, which serves as the government data portal, data users now have access to much improved data, with a better search capability. The Cabinet Office recognises that access and presentation of data is an area that requires continuous improvement and that is why a user feedback mechanism has been placed on data.gov.uk, which will enable the Cabinet Office to make ongoing improvements as required.

ii. The Government Digital Service is working to improve the visualisation of data where it is most effective to promote policy, inform choice or deliver services. The Cabinet Office has also worked with other organisations to develop such tools. This approach can be seen on data.gov.uk with the Spend Data reporting tool delivered in partnership with Open Spending; the Open Data Communities website, which provides user friendly access to over 30 million items of data, and covers every local authority in England; and in the new sites covering Higher Education and Care homes, which the Government is developing.

iii. There will be areas where comparative data is useful, but where it is not a core part of delivering public services. In those cases, the Cabinet Office will provide raw data, but it will be for others to invest in making it comparable. The Cabinet Office has created the Open Data Institute to catalyse this type of business.

2.3 The Cabinet Office strongly expects that people outside government will be able to provide different, better or more targeted services, which will build on either the core tools or the raw data. The Cabinet Office is actively looking for partners in these areas – if someone does it better, the Cabinet Office will want to work with them. This is why the entire pathway from raw data to the added value insight of this data, provided by the government, is open and there is no monopoly on who determines what data means and how it is interpreted.

PAC CONCLUSION AND RECOMMENDATION 3

In some sectors different provider types are subject to different transparency requirements, and this undermines the comparability of data for users. For example, spending per pupil in individual academy schools is not made available, and consequently value for money cannot be compared fully with maintained schools.

The Government should ensure that there is a level playing field in information requirements between different provider types, for example, academies and maintained schools, so that the Committee can know the cost per pupil in different settings.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: Ongoing.

3.2 Whilst public bodies are responsible for their own data releases, the government has established a number of initiatives to promote data comparability from different provider types within specific sectors. For example: sector boards have been established in key areas such as health, transport and education. These boards will pro-actively promote comparability and best access to data in the areas within their remit. Quarterly written ministerial statements, issued by the Cabinet Office, will provide updates on progress.

3.3 There are already examples of releases of consistent data sets regarding multiple suppliers of equivalent services. For example, the Local Government Association LG Inform website has comparable data for local authorities across a range of performance information. Also, the industry led *Transparency and Quality Compact* is looking at publishing standardised metrics across the fragmented social care sector. This will enable the public to compare different care organisations and identify the best type of care for their particular needs. The forthcoming *Social Care Whitepaper* will provide further detail on this.

PAC CONCLUSION AND RECOMMENDATION 4

The Government does not understand the costs and benefits of its transparency agenda. Departments have not monitored the costs of releasing data, and little is known about the benefits, making it difficult to prioritise, or achieve value for money from, the Government's transparency programme. The Cabinet Office has stated that the Open Data Institute will establish a fuller evidence base on economic and public service benefits of open data.

The Cabinet Office should develop a comprehensive analysis of costs, benefits and risks, to guide future decisions on what data to make available.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: late 2012 and throughout 2013.

4.2 The Open Data Institute (ODI) opened on 1 October 2012 and is already working on assembling the evidence base on the impact and value of open data, as well as incubating Open Data innovation and activities. The ODI is undertaking a specific research project, in collaboration with Deloitte, looking at the economic benefits of open data. In addition, one of the key aims of the Open Data User Group is to advise on what public sector data should be prioritised for release as open data. This is done on the basis of assessment of wider benefits, user request and demonstration that it represents value for money.

PAC CONCLUSION AND RECOMMENDATION 5

The Government has not got a clear evidence based policy on whether or not to charge for data. Some bodies, such as the Met Office, Ordnance Survey, Land Registry and Companies House, operate as trading funds that depend on generating a share of their revenue from data sales. Academic estimates suggest that there would be considerable economic benefits from making that data available for free. The Government, however, has not developed a strategic approach, and has a convoluted proposal to purchase some public data from its own trading funds and other parts of the public sector, and then make the data freely available to others. It is not clear whether the established trading fund structures are compatible with the policy objective of stimulating economic growth through more open data release.

The Cabinet Office should work with the Department for Business, Innovation and Skills to establish whether the economic benefits from making traded data freely available would outweigh the revenue lost.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: Ongoing.

5.2 The Government announced in the Open Data White Paper its intention to undertake a comprehensive and independently chaired review of the use, re-use, funding and regulation of Public Sector Information (PSI). Further detail on this will be released in autumn 2012. The review will also inform the operation of the Data Strategy Board, which is tasked with maximising the value of data from the trading funds for long-term economic and social benefit, including through the release of data free of charge, provided it represents value for money for the taxpayer.

PAC CONCLUSION AND RECOMMENDATION 6

The Committee is concerned that 'commercial confidentiality' may be used as an inappropriate reason for non-disclosure of data. If transparency is to be meaningful and comprehensive, private organisations providing public services under contract must make available all relevant public information.

The Cabinet Office should set out policies and guidance for public bodies to build full information requirements into their contractual agreements, in a consistent way. Transparency on contract pricing which is often hidden behind commercial confidentiality clauses would help to drive down costs to the taxpayer.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 The Cabinet Office has provided guidance[12] to central government departments on commercially sensitive information. This guidance includes the use of a contractual clause, requiring full publication of contract details, in accordance with the legal framework set out by the Freedom of Information Act. The guidance makes clear that all exemptions must be fully justified when deciding whether to redact certain information from publication. In addition all government contracts and tenders over £10,000 are required to be published on contract finder in line with the guidance issued.

6.3 The wider public sector has taken the initiative in this area too. For example, in March 2011 the Local Government Association published *Local Transparency - A Practitioners Guide to Publishing New Contracts and Tenders Data*. The guide covers how to publish data in a consistent way and how to approach issues of commercial sensitivity.

PAC CONCLUSION AND RECOMMENDATION 7

Departments do not make it easy for users to understand the full range of information available to them. Public bodies have not generally provided full inventories of all of the information they hold, and which may be available for disclosure.

The Cabinet Office should develop guidance for departments on information inventories, covering, for example, classes of information, formats, accuracy and availability; and it should mandate publication of the inventories, in an easily accessible way.

7.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2013.

7.2 Building on the work already carried out by the Treasury on inventories, the Cabinet Office is currently devising guidance on processes that will accommodate the variety of structures that each department uses to collate this information. A working example should be available by December 2012 with a full version in place by March 2013. Furthermore the public data principles, which have been government policy for departments since 28th June, state that public bodies should maintain and publish inventories of their data holdings.

PAC CONCLUSION AND RECOMMENDATION 8

There is a risk that those without internet access will not gain the full benefits of more open public data. Much of the transparency agenda, and associated benefits, depends on internet-based products and applications. However, there are still over 8 million people who do not have access to the internet and they will tend to be the very people who most rely on public services, and for whom data on public services will be most useful and most important. Where transparency supports user choice in public services, they are particularly likely to be disadvantaged.

The Committee recognises that the Government is working to improve access, but further steps to ensure universal access to public data should be developed and set out.

8.1 The Government agrees with the Committee's recommendation.

Target implementation date: 2015.

8.2 As large raw datasets require ICT tools needed to analyse and process them, a non-digital format is often an inappropriate format for supplying raw data. Accordingly, for the release of data we focus on ensuring that data releases meet the needs of those with access to the internet and ICT tools, who represent the overwhelming demand for raw data.

[12] http://www.cabinetoffice.gov.uk/sites/default/files/resources/guidance-publication-of-new-central-government-contracts.pdf.

8.3 Though a significant number of people remain without direct access to the internet, recent surveys published by the Oxford Internet Institute indicate that because many have access through friends, family and others, only 6% of the UK population probably have no access to the internet.

8.4 The Government is taking pro-active steps to get more people online. Examples include the Department for Culture, Media and Sport's Broadband Delivery UK, which aims to ensure provision of universal internet access of at least 2Mbps is delivered by 2015, and the Cabinet Office's work with Go-On UK, a cross-sector partnership which works to increase the digital capability of the UK.

8.5 The Government notes that where datasets are provided online and digital services are generated, consideration should also be given to people that cannot readily access digital information. The Government's approach is to ensure that intermediaries have the access needed to accurately interpret data to provide useful information which can then be redistributed. This information may be redistributed through a number of channels, both digital and non-digital. An example of this approach is the *Guardian's* publication of diagrams showing government spending, which were based on analysis of raw data and published both online and in print. Where those without access to the internet seek to obtain information directly from the Government, the Freedom of Information act provides a non-digital mechanism to access it.

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