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Progress report on the implementation of Government accepted recommendations of the Committee of Public Accounts - Sessions 2010-12 and 2012-13

Cm8899

July 2014

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Treasury Minutes

Progress report on the implementation of Government accepted recommendations of the Committee of Public Accounts - Sessions 2010-12 and 2012-13

This publication provides a progress report on the implementation of the recommendations of the Committee of Public Accounts that have been accepted by Government.

This is one of a series of progress reports. Details of Committee recommendations that were implemented previously can be found in earlier progress reports or the original Treasury Minute response.

References to the original Treasury Minutes and earlier progress reports are provided within this publication.

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

July 2014

Cm8899

TREASURY MINUTES DATED 10 JULY 2014 - PROGRESS REPORT ON THE IMPLEMENTATION OF GOVERNMENT ACCEPTED RECOMMENDATIONS OF THE COMMITTEE OF PUBLIC ACCOUNTS - SESSIONS 2010-12 AND 2012-13.

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Progress on the implementation of Government accepted recommendations of the Committee of Public Accounts (Session 2010-12)

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First Report

Department for Work and Pensions

Support to incapacity benefits claimants through Pathways to Work

Summary of the Committee's findings

During 2008-09, the Department for Work and Pensions paid £12.6 billion in incapacity benefits to 2.6 million people who were unable to work because of disability or ill health. The Pathways to Work programme was launched nationally between 2005 and 2008 to help reduce the number of incapacity benefit claimants through targeted support and an earlier medical assessment. It is delivered by contractors in 60% of districts, with Jobcentre Plus providing the service in the remainder. By March 2010, the programme had cost an estimated £760 million. The numbers on incapacity benefits reduced by 125,000 between 2005 and 2009. Pathways contribution to this reduction has been much more limited than planned.

Background resources

- NAO report: *Support to incapacity benefits claimants through pathways to work* - Session 2010-12 (HC 21)
- PAC report: *Support to incapacity benefits claimants through pathways to work* - Session 2010-12 (HC 404)
- Treasury Minute: December 2010 (Cm 7987)
- Treasury Minute – progress on implementing recommendations: January 2012 (Cm 8271)
- Treasury Minute – progress on implementing recommendations: February 2013 (Cm 8539)

Updated Government response to the Committee

There were 10 recommendations in this report. As of the last Treasury Minute (Cm 8539), 8 recommendations were implemented and the department disagreed with 1 recommendation. 1 recommendation remains work in progress, as set out below.

9: Committee of Public Accounts conclusion

As the Employment and Support Allowance is extended to all existing claimants, there is a risk that some of those who are re-assessed and found fit to work will not receive the employment support they need.

Recommendation:

The department should evaluate the accuracy of the new medical assessment robustly to evaluate that it is fit for purpose.

9.1 The Government agreed with the Committee's recommendation.

Target implementation date: June 2015.

9.2 The fourth independent review of the Work Capability Assessment (WCA), conducted by Dr Paul Litchfield, was published in December 2013. This reviewed the implementation of recommendations from the earlier independent reviews and made further recommendations for improving the effectiveness of the assessment. The evidence based review of the WCA descriptors, a systematic review of the existing descriptors against a different version developed in consultation with charity groups, was also published in December 2013. The findings indicated that overall the WCA is a valid assessment relative to experts' opinions about people's fitness for work. A final statutory review will be published before the end of 2014 and the recommendations implemented by June 2015.

Third Report

Department of Health

Tackling inequalities in life expectancy in areas with the worst health and deprivation

Summary of the Committee's findings

Inequalities in health outcomes between the most affluent and disadvantaged members of society are longstanding, deep-seated and have proved difficult to change. In 1997, the Government put tackling health inequalities at the heart of its health agenda and subsequently published a number of policy documents and related targets. In 2004, the Government set the Department of Health the target of reducing the gap in life expectancy between 70 'spearhead' local authorities with high deprivation and the population as a whole by 10% by 2010. The report concluded that the department had not met this target and was exceptionally slow to tackle health inequalities.

Background resources

- NAO report: *Tackling inequalities in life expectancy in areas with the worst health and deprivation* - July 2010 (HC 186)
- PAC report: *Tackling inequalities in life expectancy in areas with the worst health and deprivation* - November 2010 (HC 470)
- Treasury Minute: February 2011 (Cm 8014)
- Treasury Minute – progress on implementing recommendations: February 2012 (Cm 8271)
- Treasury Minute – progress on implementing recommendations: February 2013 (Cm 8539)

Updated Government response to the Committee

There were 8 recommendations in this report. As of the last Treasury Minute (Cm 8539), 8 recommendations remained work in progress, all of which have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
The gap in life expectancy between people in deprived areas and the general population has continued to widen.

Recommendation:
The Committee's recommendations below are designed to help the department make progress in tackling health inequalities within the new NHS structure it is putting in place.

1.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

1.2 The Health and Social Care Bill received Royal Assent on 27 March 2012 and the new NHS structure and reformed public health system was in place from April 2013. The Health and Social Care Act 2012 places duties on the NHS Commissioning Board (NHS England) and clinical commissioning groups to have regard to the need to reduce health inequalities in access to and outcomes from health services. The Act also places duties on the NHS England, clinical commissioning groups and Monitor to exercise their functions with a view to securing the integrated provision of services where they consider this would reduce health inequalities.

2: Committee of Public Accounts conclusion
The department was too slow to develop an evidence base of cost-effective interventions.

Recommendation:
The department and NHS Commissioning Board should identify and implement the action needed to stimulate the wider adoption of these treatments so that GPs in all areas comply with accepted good practice.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 NHS England has taken two approaches to promote more consistent practice in these areas: to publish data on a regular basis highlighting any variations; and to tackle inconsistency by including measures in the assurance framework for General Practice. For example: details on the following three treatments: prescription of drugs to control blood pressure; the prescription of drugs to reduce cholesterol; and smoking cessation services are published at practice level and included within the assurance framework, such *Smoking cessation advice: percentage of patients in at-risk groups who have been offered smoking cessation advice*.

2.3 PHE works closely with NHS England supporting translation of evidence into good practice. For example, PHE leads nationally on the NHS Health Check programme, which is commissioned by local authorities. Local authorities have a legal duty to offer the NHS Health Check to 100% the local eligible population and PHE works to support them in securing an equitable uptake by producing resources and tools that will support engagement by different groups.

3: Committee of Public Accounts conclusion
The department has failed adequately to address GP shortages in areas of highest need.

Recommendation:
The department should implement an action plan to deliver this objective within a defined timeframe.

3.1 The Government partially agreed with the Committee's recommendation.

Recommendation implemented.

3.2 In 2013 the department agreed to phase out Minimum Practice Income Guarantee payments to General Medical Service practices starting 2014-15. NHS England has initiated a review of funding arrangements in locally agreed Personal Medical Services contracts for GP services and will work with the BMA General Practitioners Committee to test whether the existing deprivation factors in the Carr-Hill formula (the standardised mortality ratio for under-65s and the standardised limiting long-term illness index) can be updated to reflect the most up to date information on deprivation. A new formula for determining area team funding allocations, in respect of primary care services that includes the Carr-Hill formula, has been introduced.

3.3 To ensure the workforce is ready to meet future challenges, NHS England is clarifying its role in improving GP and practice nurse recruitment in communities where this has been challenging, particularly in deprived areas. PHE supports the capacity of the workforce to progress public health/health inequalities agenda through engagement with partner organisations, in particular Health Education England (HEE). HEE has the mandate to train the healthcare workforce and delivers locally through Local Education and Training Boards (LETBs).

4: Committee of Public Accounts conclusion
Many GPs fail to focus their attention sufficiently on the more deprived people registered with their practices.

Recommendation:
The department and the Commissioning Board should use the GP contract to link payments explicitly to GPs' success in improving the health of the neediest people in their practices and to encourage up-take of good practice preventative treatments for those with the greatest health needs.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 Changes to the GP contract for 2014-15 require GP practices to give patients aged 75 years and over a named GP, responsible for coordinating their care. From April 2014 all GP practices are also able to earn a share of £162 million by improving services for 2% of patients with most complex health and care needs. NHS England operates a quality premium for clinical commissioning groups which includes incentives for improving health outcomes among deprived people.

4.3 The Quality Premium in 2014-15 includes: *reduction in potential years lost,* where localities should consider local causes of avoidable premature mortality for those living in areas of deprivation; and *local measures agreed by CCG with their Health and Wellbeing Board and with area team*, to improve poor health outcomes in these areas and contribute to reducing health inequalities.

5: Committee of Public Accounts conclusion

Two thirds of primary care trusts in areas with the highest deprivation still do not receive the money due to them under the department's funding formula.

Recommendation:

In developing the funding model for GP consortia and public health, the department and the Commissioning Board should consider how funding shortfalls in the most deprived areas could be corrected.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 The allocation of resources to clinical commissioning groups became the responsibility of NHS England from April 2013. The Government expects NHS England to allocate resources in a way that is consistent with its duty to have regard to the need to reduce inequalities in access to healthcare services and the outcomes achieved for patients, and set out its expectations in the Mandate to NHS England.

5.3 From 2013-14, the department allocated a ring-fenced public health grant to upper tier and unitary local authorities, derived from an allocation formula recommended by the Advisory Committee on Resource Allocation (ACRA), an independent expert committee. ACRA's formula aims to reflect the need for public health services and to contribute to a reduction in health inequalities. The conditions accompanying the grant make it clear that "*a local authority must, in using the grant, have regard to the need to reduce health inequalities between the people in its areas*." The department is also developing a health premium incentive scheme to reward local authorities for making progress on public health, weighted to disadvantaged areas.

6: Committee of Public Accounts conclusion

The NHS spends around 4% of its funding on prevention, although individual commissioners' spending on prevention is not readily identifiable.

Recommendation:

The department should develop a robust process so that there is transparency and accountability for this funding and should require Directors of Public Health to benchmark the costs and effectiveness of their public health activity.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 In June 2012, the department published the grant conditions which accompanied the ring-fenced grant to local authorities, and the arrangements for reporting how the grant has been spent. In November 2012, the department published the first set of baseline data underpinning the Public Health Outcomes Framework (PHOF). Subsequent updates to the PHOF have been published by PHE on a quarterly basis. These updates include a breakdown by health inequalities characteristics were possible.

7: Committee of Public Accounts conclusion

Addressing health inequalities is a complex challenge requiring sustained and targeted action.

Recommendation:

As there is an inevitable time lag between public health interventions and observable outcomes, the department should monitor the implementation of those activities which, in the short term, would be strong indicators of progress.

7.1 The Government agreed with the Committee’s recommendation.

Recommendation implemented.

7.2 The Government has mandated NHS England to make progress against all the outcome indicators in the NHS Outcomes Framework. Success will be measured by both the average level of improvement and progress in reducing health inequalities and unjustified variation. Progress is monitored through the Mandate assurance process. PHE monitors and publishes all the data for the PHOF for each local authority in England and supports directors of public health in their local actions on health and health inequalities through a range of evidence support briefings and tools.

8: Committee of Public Accounts conclusion

The department is not clear why some areas are performing better than others, or of the extent of the NHS’ contribution in tackling health inequalities.

Recommendation:

The department should put in place an effective mechanism to hold the NHS Commissioning Board to account for tackling inequalities in access to healthcare and should seek assurance that local accountability arrangements are operating effectively. It should report back to the Committee in 2011 on these arrangements once it has finalised its plans.

8.1 The Government agreed with the Committee’s recommendation.

Recommendation implemented.

8.2 The Health and Social Care Act requires the NHS England to include in its annual report an assessment of how effectively the duties on reducing inequalities have been discharged. The Act also requires the Secretary of State for Health to make an assessment of how well the duties have been discharged and to report to Parliament. PHE is also required to demonstrate on an annual basis an assessment of how effectively it has discharged the duty on reducing inequalities on behalf of the Secretary of State for Health.

Fifth Report

Department for Transport

Increasing passenger rail capacity

Summary of the Committee's findings

The Department for Transport is eighteen months into a five-year, £9 billion investment programme to improve rail travel, in particular by increasing the number of passenger places on trains by March 2014. This was to be achieved by a combination of longer platforms and other station improvements and more carriages coming into London and other major cities during peak hours. The department is responsible for securing the extra places on trains from train operators. The Office of Rail Regulation (ORR) is responsible for ensuring Network Rail delivers infrastructure efficiently.

Background resources

- NAO report: *Increasing passenger rail capacity* - July 2010 (HC 33)
- PAC report: *Increasing passenger rail capacity* - November 2010 (HC 471)
- Treasury Minute: February 2011 (Cm 8014)
- Treasury Minute – progress on implementing recommendations: February 2012 (Cm 8271)
- Treasury Minute – progress on implementing recommendations: February 2013 (Cm 8539)

Updated Government response to the Committee

There were 8 recommendations in this report. As of the last Treasury Minute (Cm 8539), 4 recommendations were implemented and the department disagreed with 1 recommendation. 3 recommendations remain work in progress, as set out below.

1: Committee of Public Accounts conclusion

All but one of the fifteen English rail franchises have no requirements for the operator to meet demand without excessive overcrowding, and so the taxpayer usually has to provide additional funding for extra carriages.

Recommendation:

For future rail franchises, the department should impose clear obligations on operators to avoid overcrowding, and to bear the costs of meeting that obligation themselves.

1.1 The Government agreed with the Committee's recommendation.

Target implementation date: December 2014.

1.2 The Government has responded to the recommendations made in Richard Brown's review of Rail Franchising. A key recommendation is that risks should be borne by the party best placed to manage them. In this context, the Government has partially accepted the Brown recommendation that it should take exogenous risks in relation to rail franchising.

1.3 Accordingly, the Government believes that in franchises of between 8 and 10 years, the cost of transferring demand risk to the private sector would significantly impact on the value of the franchise to the taxpayer. Risk transfer is being managed on a case by case basis, where it is in the best interests of the taxpayer. In the recent Essex Thameside franchise competition, the department has required bidders to assess the demand profile over the 15 year franchise term and to bid a rolling stock solution that meets this forecast profile.

2: Committee of Public Accounts conclusion

The current round of planning relied heavily on buying extra carriages and on extending platforms to accommodate longer trains but this approach cannot go on indefinitely. Clearly, alternatives must be found to meet the capacity challenge in the future.

Recommendation:

The department should vigorously pursue and promote smart ticketing and other demand management techniques to reduce the inefficiencies of overcrowding in peak hours and underused rolling stock at other times.

2.1 The Government agreed with the Committee’s recommendation.

Target implementation date: December 2014.

2.2 The department set out its smart ticketing strategy in the October 2013 *Rail Fares and Ticketing: Next Steps* report. This includes a focus on delivery of the South East Flexible Ticketing programme and, subject to its success and future funding, further targeted delivery programmes elsewhere in the country. The report also noted that the Government has ruled out ‘super peak pricing’ as a form of demand management as this would impose a burden on hard pressed commuters. The report provided support for other potential measures to reduce crowding, including train companies publishing more train specific crowding information and a trial of more flexible ticketing that is intended to commence in 2015.

3: Committee of Public Accounts conclusion

The department’s knowledge of how many people use which parts of the rail network and when is inadequate, sketchy and so gives a poor basis for decision making.

Recommendation:

The department should require all new train carriages, whether procured by the department itself or by franchisees, to be fitted with automatic passenger counting equipment to show how many people are travelling on what trains and when. It should require franchisees to provide useful and verifiable data from that counting.

3.1 The Government agreed with the Committee’s recommendation.

Target implementation date: December 2014.

3.2 The department continues to seek automatic passenger count systems in new train fleets, and with a range of rolling stock due for delivery, notably a number of expected IEP trains in coming years, significant improvement is expected. The department is actively working with the train operators to ensure that data are supplied, and to improve the quality and quantity of those data. It has contracted for the provision of a rail passenger counts database, which will be progressively introduced from 2014. It is intended that the counts database will be a resource for the industry and not just for the department, and that the train operators therefore have a strong incentive to be part of this. Future franchise agreements will oblige train operators to provide the data needed to make the database a success.

Tenth Report
Ministry of Defence
Managing the Defence budget and estate

Summary of the Committee's findings

The Ministry of Defence is responsible for over £42 billion of annual expenditure. While it has managed to stay within budget each year, it has failed to exercise the robust financial management necessary to control its resources effectively in the long term. It has also failed to match its future plans to a realistic assessment of the resources available. There is a shortfall in planned expenditure against likely funding of up to £36 billion over the next ten years. The Strategic Defence and Security Review did not explicitly set out how this long-standing gap between defence spending and funding would be resolved. It is imperative that the department should now do so.

Background resources

- NAO report: *A defence estate of the right size to meet operation needs* - Session 2010-11 (HC 70)
- NAO report: *Strategic Financial Management of the Defence Budget* – Session 2010-11 (HC 290)
- PAC report: *Managing the Defence Budget and Estate* - Session 2010-12 (HC 503)
- Treasury Minute: February 2011 (Cm 8014)
- Treasury Minute – progress on implementing recommendations: January 2012 (Cm 8271)
- Treasury Minute – progress on implementing recommendations: February 2013 (Cm 8539)

Updated Government response to the Committee

There were 8 recommendations in this report. As of the last Treasury Minute (Cm 8539), 4 recommendations were implemented. 4 recommendations remained work in progress, of which 2 have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
The department's poor financial management has led to a severe funding shortfall of up to £36 billion in defence spending over the next ten years.

Recommendation:
The department needs to take immediate steps to sort out its financial management.

1.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

1.2 The department has made significant improvements in how it manages its finances. The department has demonstrated the long-term affordability of the Defence Plan, such that the Treasury has increased the level of delegated approval, for new equipment investments, from £100 million to £600 million in total programme costs. Furthermore, the NAO acknowledged, in February 2014, the department's ability to maintain an affordable Equipment Plan.

5: Committee of Public Accounts conclusion
The recent Strategic Defence and Security Review was an opportunity to set out how defence spending could be brought into line with available funding.

Recommendation:
It is even more imperative that the department gets a firm grip on its strategic financial management.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 The overall Defence Budget remains in balance, as confirmed by the Secretary of State in May 2012. Furthermore, the Equipment Plan, and associated affordability statements, have been published annually since 2013 alongside the NAO review. There remains a Defence Board strategic objective to ensure that the Defence Budget remains in balance, which is reviewed on a regular basis. The department has ensures that the Defence plan includes a contingency provision to allow high priority funding for additional programmes including assurances that they are affordable.

5.3 In April 2014, the department reached full maturity of its new financial management structure (as recommended by Lord Levene) with Top Level Budgets, including the three Armed Forces, working within a delegated operating model to the Centre. The Director General Finance maintains financial management, approvals and performance for the department, including through holding to account sessions with TLB holders and the Permanent Secretary.

7: Committee of Public Accounts conclusion

The department has not defined high level criteria or metrics to judge whether it is using its estate efficiently.

Recommendation:

The department should define the size and type of estate needed to fulfil the tasks required of it.

7.1 The Government agreed with the Committee's recommendation.

Target implementation date: Autumn 2015.

7.2 Defence Infrastructure Organisation has introduced a common enterprise data model and standards for all data relating to the management of the Defence Estate, working with key suppliers and stakeholders, agreeing a developed set of measures. In parallel, DIO has conducted a global asset verification exercise of MODs 160,000 estate assets. This information is now included on the new Management Information System (IMS) and provides an up to date and accurate view of estate assets. As further functionality is released, including that for project management and service delivery, the IMS will support strategic decision making, and corporate and external reporting on the estate.

8: Committee of Public Accounts conclusion

The department does not have good central data to inform decision making about its estate.

Recommendation:

The department should have systems in place to collect this data within 12 months, and certainly well before signing its next generation of major estates contracts. The department should report back on the progress it has made within six months to the Committee.

8.1 The Government agreed with the Committee's recommendation.

Target implementation date: Autumn 2015.

8.2 The key data needed to manage estate assets have been identified. A global verification exercise of the Defence estate assets has been completed and a new Information Management System (IMS) developed to provide a single repository for the Defence property portfolio (160,000 built assets and 230,000 hectares of land). The IMS has already enabled DIO to decommission a number of legacy estate management systems. With phased roll-out of further modular functionality over the next 18 months, the new IMS will provide a single integrated source of estate information.

Fourteenth Report
Department for Communities and Local Government / Department of Health
PFI in housing and hospitals

Summary of the Committee's findings

The Department of Health and the Department for Communities and Local Government are responsible for sizeable portfolios of PFI projects covering hospitals and social housing. By April 2009 there were 76 operational PFI hospitals in England and over 13,000 homes had been built or refurbished through PFI, representing a small, but significant part of investment in social housing. The letting of contracts and the responsibility for managing them is devolved to NHS Trusts and local authorities. The departments are responsible for overseeing their PFI programmes and reporting to the public and Parliament on value for money. This includes establishing the funding arrangements, approving contracts and providing support to the local projects.

Background resources

- NAO report: *the performance and management of hospital PFI contracts* - Session 2010-12 (HC 68)
- PAC report: *the performance and management of hospital PFI contracts* - Session 2010-12 (HC 631)
- Treasury Minute: March 2011 (Cm 8042)
- Treasury Minute – progress on implementing recommendations: July 2012 (Cm 8387)

Updated Government response to the Committee

There were 8 recommendations in this report. As of the last Treasury Minute (Cm 8387), 6 recommendations were implemented. 2 recommendations remained work in progress, all of which have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
There is no clear evidence to conclude whether PFI has been demonstrably better or worse value for money for housing and hospitals than other procurement options. In many cases local authorities and Trusts chose the PFI route because the departments offered no realistic funding alternative.

Recommendation:
The departments should prepare and publish whole-programme evaluations which assess PFI against alternative procurement routes using clear value for money criteria. The evaluations should include the merits or otherwise of including support services in the contracts.

1.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

Department of Health

1.2 In November 2011, the Chancellor announced the Government's intention to undertake a fundamental reassessment of PFI. Following the conclusions of the reform exercise, the department committed to refreshing its guidance, on the value for money of using private finance, and the inclusion of support services, as required. The new procurement model – Private Finance 2 (PF2) - was launched in December 2012 to deal with the deficiencies of PFI. For example: under PF2, there is a presumption that 'soft fm' support services are no longer be included. Two major NHS schemes have now been put forward by Trusts to be taken forward under PF2.

Department for Communities and Local Government

1.3 As requested by Ministers and as an outcome from the Spending Review 2010, the department has undertaken a rolling review of the value for money on Housing PFI across procurement projects since 2010. The first phase of the review was completed in March 2011. The department drew on this analysis to help inform on Ministers decisions to continue to support procurement on 12 projects.

1.4 The department and the Homes and Communities Agency (HCA) have engaged with local authorities, their bidders and funders to secure further cost savings and improve value for money. This work is expected to be completed by July 2014 by when the procurement of the two remaining projects is expected to be completed. Interim PFI savings reports are submitted to the department's Finance Sub-Committee. The department currently anticipates producing a summary report on its value for money work and savings achieved in Autumn 2014.

4: Committee of Public Accounts conclusion

The Department of Health, in failing to negotiate with investment funds centrally, is not using its own buying power to leverage gains for the taxpayer.

Recommendation:

The Department of Health and other departments with PFI programmes should similarly negotiate with major PFI investors and contractors to secure better deals for the taxpayer.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

Department of Health

4.2 Following publication of the finalised *Making savings in operational PFI contracts* in 2011, a number of reviews on Trust PFI contracts, carried out internally or externally, has generated savings. The department continues to work with the Treasury and Cabinet Office on these reviews. In June 2013, the Treasury announced that a Code of Conduct which sets out the basis on which public and private sector partners agree to work together to make savings in operational projects. Many of the major private sector players have signed up to the code and the department will aim to get sign up across the NHS. A number of banks have already signed up to the code. The department continues to work with PFI contract holders, NHS Trusts, NHS Foundation Trusts and NHS Property Services Limited, which has inherited a small portfolio of PFI deals from certain Primary Care Trusts (PCTs) which were dissolved on 1 April 2013.

Department for Communities and Local Government

4.3 The department is not a direct procurer of PFI projects, but sponsors local authority PFI projects in the housing, fire and joint service centre sectors, and as such does not have the legal right to negotiate individual local authority contracts. However, the department does have a responsibility to help ensure that value for money is secured from projects, whilst in procurement, and also from identified savings opportunities in operational PFI projects. At April 2014, the department had secured programme savings of £490 million, principally from Housing PFI projects in procurement.

4.4 The department is also playing a lead role with Treasury, other departments, Local Partnerships and local authorities in DCLG's £1 million funded Operational Savings Programme work over 2012-14. Progress is regularly reported to PEX(ER) by the department and Treasury. By March 2014, savings of £33 million have been secured from PFI projects in procurement.

Fifteenth Report

Department for Education

Educating the next generation of scientists

Summary of the Committee's findings

A strong supply of people with science, technology, engineering and maths skills is important for the UK to compete internationally. The starting point is a good education for children and young people in science and maths. The Department for Education has made impressive progress on aspects of science and maths secondary education. The numbers studying separate GCSE biology, chemistry and physics have risen by almost 150% between 2004-05 and 2009-10. There has been a rapid increase in the number of pupils taking A-level chemistry and maths, though physics has increased more slowly. Attainment has also improved as take-up has increased.

Background resources

- NAO report: *Educating the next generation of scientists* - Session 2010-12 (HC 492)
- PAC report: *Educating the next generation of scientists* - Session 2010-12 (HC 632)
- Treasury Minute: March 2011 (Cm 8042)
- Treasury Minute – progress on implementing recommendations: July 2012 (Cm 8387)

Updated Government response to the Committee

There were 8 recommendations in this report. As of the last Treasury Minute (Cm 8387), 7 recommendations were implemented. 1 recommendation remains work in progress, as set out below.

4: Committee of Public Accounts conclusion

There is evidence that some school science laboratories are poor quality and even unsafe, but the department has no data on the extent of the problem.

Recommendation:

The department should work with Ofsted and others who have looked into the problem, such as the Royal Society of Chemistry, to understand the scale of the challenge faced. It should ensure that all available relevant information is used in its current review of capital spending, so that the review includes a full assessment of the urgency of this requirement alongside other demands on the capital budget.

4.1 The Government agreed with the Committee's recommendation.

Target implementation date: September 2014.

4.2 The department has made over £5 billion available for the maintenance of school buildings during this Parliament, and in addition to this, is rebuilding or refurbishing 261 schools under the centrally managed Priority School Building Programme. In the 2013 Spending Round, the department secured a long term settlement for the next six years for school maintenance funding totalling £10.5 billion. To enable it to target this funding at the schools with the greatest need, the department is carrying out condition surveys across the entire education estate. The surveys will be completed by the end of August 2014 and used to allocate funding from 2015-16 onwards.

Seventeenth Report
Department for Education
Academies Programme

Summary of the Committee's findings

Academies are state schools which are independent of local authorities and directly accountable to the Department for Education. They were originally intended to raise educational standards and aspirations in deprived areas, often replacing schools with long histories of under-performance. From May 2010 the Programme was opened up to all schools, creating two types of academy: 'sponsored' academies, usually established to raise educational standards at under performing schools in deprived areas; and 'converters' created from other types of school, with outstanding schools permitted to convert first. By 5 January 2011, there were 407 academies: 271 sponsored and 136 converters.

Background resources

- NAO report: *The Academies Programme* - Session 2010-12 (HC 288)
- PAC report: *The Academies Programme* - Session 2010-12 (HC 552)
- Treasury Minute: October 2011 (Cm 8042)
- Treasury Minute – progress on implementing recommendations: February 2013 (Cm 8387)

Updated Government response to the Committee

There were 8 recommendations in this report. As of the last Treasury Minute (Cm 8387), 6 recommendations were implemented. 2 recommendations remained work in progress, of which 1 has now been implemented, as set out below.

4: Committee of Public Accounts conclusion
Many academies have inadequate financial controls and governance to assure the proper use of public money, and the department and Agency have not been sufficiently rigorous in requiring compliance with guidance.

Recommendation:
In developing a new financial handbook and governance framework, the Agency should make it compulsory for all academies – sponsored and converter – to comply with basic standards of governance and financial management. This should include segregation of key roles and responsibilities, and timely submission of annual accounts.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The Financial Handbook was revised in September 2013. The new edition further strengthens the financial framework for academy trusts and more clearly covers the system of governance and accountability to Parliament and the public. It better reflects both the freedoms and the responsibilities that academy status brings.

6: Committee of Public Accounts conclusion
The department has failed to collect all the financial contributions due from sponsors.

Recommendation:
The department should clarify the status and recoverability of these outstanding debts, negotiate clear and realistic payment schedules with the relevant sponsors, and monitor repayment.

6.1 The Government agreed with the Committee's recommendation.

Target implementation date: December 2014.

6.2 Given the very different nature of the agreements made with each of the sponsors, the process has proved both difficult and lengthy. The department was unable to finalise arrangements with sponsors by March 2013. Nevertheless, some academies do now have regimes in place to collect outstanding sponsorship. The department continues in its efforts to ensure that agreements are in place for all academies with outstanding sponsorship, and expects to finalise arrangements by December 2014.

Eighteenth Report

HM Revenue and Customs

HM Revenue and Customs 2009-10 Accounts

Summary of the Committee's findings

In 2009, HM Revenue and Customs implemented the new National Insurance and PAYE Service (NPS), the final phase of its project to modernise the collection of income tax through the Pay as You Earn (PAYE) system. The NPS brings together for the first time all of an individual's pay and tax details into a single record and offers the opportunity of increasing the accuracy of tax codes and reducing the likelihood of over and underpayments of tax.

Background resources

- *HM Revenue and Customs 2009-10 Accounts* – Session 2010-11 (HC 299)
- PAC report: *HM Revenue and Customs 2009-10 Accounts*- Session 2010-11 (HC 502)
- Treasury Minute: 24 March 2011 (Cm 8042)
- Treasury Minute - progress on implementing recommendations: July 2012 (Cm 8387)

Updated Government response to Committee

There were 11 recommendations in this report. As of the last Treasury Minute (Cm 8387), 8 recommendations were implemented. 3 recommendations remained work in progress, all of which have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
The department has failed in its duty to process Pay As You Earn (PAYE) accurately and on time.

Recommendation:
HMRC has failed to collect tax that is properly due caused uncertainty to taxpayers and treated them inequitably.

1.1. The Government agreed with the Committee's conclusion.

Recommendation implemented.

1.2 The department met its target for clearing open cases. All cases had been reviewed and cleared by the end of October 2012, ahead of schedule.

2: Committee of Public Accounts conclusion
The department has not delivered an acceptable standard of service to PAYE Taxpayers.

Recommendation:
The department must ensure that coding notices are subject to proper quality assurance before being issued, and that taxpayers are told of their individual under and overpayments as soon as practical.

2.1 The Government accepted the Committee's recommendation.

Recommendation implemented.

2.2 The department undertook extensive quality assurance and testing on its coding notices. This ensures outputs to customers are tested and validated to a statistically viable standard (within a 2% error range). For 2012-13 tax codes, the department maintained the testing and assurance regime adopted in 2011-12 and achieved similar high accuracy rates (more than 97%).

7: Committee of Public Accounts conclusion

By allowing a backlog of 18 million PAYE cases affecting 15 million people to build up, the Department has delayed the repayment of overpaid tax and put at risk the recovery of an estimated £1.4 billion of underpaid tax.

Recommendation:

The department should now set a clear operational standard to process all PAYE cases within 12 months of the end of the tax year.

7.1 The Government partially accepted the Committee's recommendation.

Recommendation implemented.

7.2 The department has kept PAYE up to date, which included completing end of year reconciliation before the end of the following tax year. However, there will always be cases (for example those under enquiry) that will not be completed in this timescale, although these will continue to be the exceptions. The department has also completed 2012-13 end of year reconciliation work.

Twenty First Report

Ministry of Justice

Youth justice system in England and Wales: reducing offending by young people

Summary of the Committee's findings

The Youth Justice Board has been effective in leading reform within the youth justice system and diverting resources to the offenders most at risk of committing future crimes. Since 2000, the number of young people entering the youth justice system, the number held in custody and the amount of reoffending committed by young people, have all fallen. Youth custody, which is expensive relative to other ways of dealing with young offenders, has fallen during a period when the number of adults in custody has continued to rise. This is a particularly noteworthy achievement, and one in which the Board has played a central part.

Background resources

- NAO report: *The youth justice system in England and Wales: Reducing offending by young people* - Session 2010-11 (HC 663)
- PAC report: *The youth justice system in England and Wales: Reducing offending by young people* - Session 2010-11 (HC 721)
- Treasury Minute: May 2011 (Cm 8069)
- Treasury Minute – progress on implementing recommendations: July 2012 (Cm 8387)

Updated Government response to the Committee

There was 1 conclusion and 9 recommendations in this report. As of the last Treasury Minute (Cm 8387), 4 recommendations were implemented and 1 recommendation was no longer being implemented. 4 recommendations remained work in progress, of which 3 have now been implemented, as set out below.

4: Committee of Public Accounts conclusion
The Board has limited evidence of what interventions work, making it difficult to achieve better value for money from the £800 million spent in the system.

Recommendation:
The Board and the Ministry should focus on research that will enable them to assess which interventions are most effective and use the findings to direct funding into what is known to work.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The department and the Board have worked jointly since 2010 to effectively coordinate youth justice research resources. The current programme of externally commissioned research includes two Board-led projects which identify alternative methods of restraint, and a department-led project to review the literature on what works to manage young people who offend. The Board published its findings, which includes the report: *Young People in the Secure Estate: Needs and Interventions* and a study of outcomes for recipients of the Intensive Supervision and Surveillance Programme.

4.3 The Board continues its overarching framework for identification and dissemination of effective practice, which will further strengthen its ability to assess which interventions are most effective. The Board has also published tools for the sector to develop robust evaluations of practice, and is currently supporting deployment of these tools, including through the delivery of training on Theory of Change models.

5: Committee of Public Accounts conclusion
70% of young offenders suffer from significant communication difficulties, but current forms of assessment do not give this sufficient weight.

Recommendation:
The Committee welcomes the commitment to review the assessment process and recommend that an explicit assessment is made of communication difficulties. Where such difficulties are identified, speech and language therapy should be considered as part of the sentence plan.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 The Board received funding in February 2013 for AssetPlus, which is a new assessment and planning interventions framework for young people who are at risk of offending. The framework aims for improved outcomes for young people in relation to their likelihood of reoffending; risk of harm and serious harm to others; and their own safety and wellbeing.

5.3 A key feature is a Speech, Language and Communication screening tool. This supports practitioners in their engagement with young people during their assessment and planning of appropriate interventions, and also identifies where additional, more specialist support is required. The Board has worked closely with the Royal College of Speech and Language Therapists in the design of this important screening element of AssetPlus. It is anticipated that the Board will have deployed AssetPlus to youth justice services across England and Wales by the end of financial year 2015-16.

6: Committee of Public Accounts conclusion
The Board lacks sufficient knowledge of what interventions are being used by Youth Offending Teams and how well they are working and, consequently, it cannot disseminate best practice effectively.

Recommendation:
The Board should be much more active in building its knowledge of commonly used interventions, understanding their effectiveness, and disseminating this information to Youth Offending Teams across England and Wales, including by providing example course material and content.

6.1 The Government agreed with the Committee's recommendation.

Target implementation date: March 2015.

6.2 YJB's Effective Practice Library now contains 190 practice examples, and the Board is working with the youth justice sector on developing the evidence base which supports this practice. YJB continue to develop the functionality to exploit opportunities offered by GOV.UK to improve information dissemination about commonly delivered interventions and their impact on youth justice outcomes. The framework for effective practice classification is being reviewed in 2014-15 to make it more rigorous with the standards of evidence used. The YJB uses its YJBulletin and Effective Practice Update to disseminate effective practice information.

6.3 In March 2014, YJB delivered training on theory of change to the youth sector to improve the evidence base around designing interventions. This will be followed in 2015-16 by a focus on evaluation methods.

10: Committee of Public Accounts conclusion
Prevention work has had an impact on reducing the number of first time entrants to the youth justice system, but funding is being reduced.

Recommendation:
The Board and the Ministry should encourage investment in prevention where reducing youth crime has been identified as a local priority. They should consider offering match-funding, piloting the use of other incentives such as payment by results, and sharing the proceeds of reduced custody levels.

10.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

10.2 The Board prioritised maintaining a grant to Youth Offending Teams (YOT) for prevention and reducing reoffending. Reducing first time entrants to the justice system remains a Board objective. The Board mapped prevention services to inform ongoing activities for the effective delivery of targeted youth crime prevention. It received Home Office funding for such intervention programmes until funding became mainstreamed as part of police and crime commissioner (PCC) budgets. The Board works with PCCs to help target investment on youth crime prevention and with the Home Office, so each YOT is supported to prevent first time entrants and reduce youth crime and anti-social behaviour.

10.3 The Board piloted a two year Youth Justice Reinvestment Pathfinder Initiative with local authorities to invest in custody alternatives. The learning from this pilot informed the reducing reoffending project and provided valuable lessons on invest to save initiatives. A report will be published in 2014.

Twenty Third Report

Ministry of Defence

Major Projects Report 2010

Summary of the Committee's findings

In October 2010, the Government published its Strategic Defence and Security Review (SDSR). The SDSR offered the department an opportunity to bring its plans into balance with the expenditure limits set in the Comprehensive Spending Review. The department has already cancelled projects such as the Nimrod MRA4 and Sentinel aircraft, accepting greater operational risks in some areas and writing off nearly £5 billion of taxpayer's money. Looking beyond these headline decisions, implementing the SDSR will require further decisions and the renegotiation or cancellation of a significant number of existing contracts to make the programme affordable.

Background resources

- NAO report: *The Major Projects Report 2010* - Session 2010-11 (HC 489-1)
- PAC report: *The Major Projects Report 2010* - Session 2010-12 (HC 687)
- Treasury Minute: May 2011 (Cm 8069)
- Treasury Minute – progress on implementing recommendations: July 2012 (Cm 8387)

Updated Government response to the Committee

There were 9 recommendations in this report. As of the last Treasury Minute (CM 8387), 6 recommendations were implemented. 3 recommendations remained work in progress, all of which have now been implemented, as set out below.

3: Committee of Public Accounts conclusion

Senior Responsible Owners for major defence projects typically move post every two to three years, eroding accountability.

Recommendation:

The department should ensure that SROs remain in post during key phases of a project lifecycle.

3.1 The Government agreed with the Committee's recommendation

Recommendation implemented.

3.2 Following Lord Levene's report and to support Defence Reform Initial Operating Capability on 1 April 2013, the department introduced updated SRO policy and procedures specifically considering tenure related to key programme milestones, span of control and linking the appointment to responsibilities and accountabilities outlined in the new Operating Model as a result of the Financial and Military Capability Transformation programme.

3.3 From 1 April 2013 these policies and processes have been used to manage new SRO appointments for Capability programmes in the Front Line Commands (and Head Office Strategic Programmes). For the department's most significant Capability programmes the appointments (directly by the PUS, or the relevant TLB holder, approved by PUS) have been made taking account of tenure issues and milestones to be achieved and the number of SRO roles proposed for each SRO. TLB holders are required to take similar judgements for all other programmes.

3.4 Lord Levene's 2nd Annual Progress Report, dated November 2013, stated there is now some evidence that longer tour lengths may be becoming the standard for senior military and civilian posts at two-star and above but he highlighted that this needs to become the norm.

6: Committee of Public Accounts conclusion

Just seven months after it signed the Carrier contract, the department made a decision in distress in an attempt to balance the defence budget and delayed the project without understanding the £1.6 billion cost implications.

Recommendation:

The department should make all key decisions - about entering into, cancelling or deferring equipment acquisitions - based on a complete analysis of the financial and operational consequences.

6.1 The Government agreed that key decisions should be made based on analysis of the best available information.

Recommendation implemented.

6.2 The Defence Programme was brought into balance as part of the department's budget setting for 2012 and this reduces the pressure that leads to deferring or de-scoping projects to meet short-term affordability requirements. The importance of complete and robust understanding of the financial and operational implications of all decisions is fully acknowledged, and this has been reflected through the implementation of Defence Transformation, in strengthened investment approval procedures and DG Finance's chairmanship of the Investment Approvals Committee. Improvements in the department's decision-making were tested through an NAO audit of the department's approvals processes, which confirmed them to be fit for purpose.

7: Committee of Public Accounts conclusion

The department is in the process of carrying out detailed costings, but the decision to fly a different type of aircraft off the carriers was not based on a full understanding of the costs.

Recommendation:

The department, working closely with the Treasury, should only take key decisions when it has sufficient financial and other management information to demonstrate the actions it chooses to take are both affordable and represent value for money.

7.1 The Government agrees that key decisions should be taken on the basis of financial and other information.

Recommendation implemented.

7.2 Following budget setting for 2012 and the balancing of the defence budget, the department has ensured that new commitments can be accommodated and are fully affordable within the balanced budget as part of a robust approvals process that includes detailed assurance and scrutiny of costs and value for money. In the past, cost growth has been exacerbated by the need to defer or de-scope projects to meet short-term affordability requirements. Following budget setting for 2012. The pressure to do this has been reduced and the department has greater confidence in its ability to deliver projects within agreed funding provision, including appropriate project programme and portfolio financial provision for risk.

Twenty Fourth Report

Department of Health

Delivering the Cancer Reform Strategy

Summary of the Committee's findings

Each year in England, around 255,000 people are diagnosed with cancer and around 130,000 die from the disease. The NHS spent £6.3 billion on cancer services in 2008-09. Tackling Cancer has been a priority for the Department of Health since its ten year NHS Cancer Plan was published in 2000. In 2007 the department published its five year Cancer Reform Strategy to deliver improved patient outcomes.

Background resources

- NAO report: *Delivering the cancer reform strategy* - Session 2010-11 (HC 568)
- PAC report: *Delivering the cancer reform strategy* - Session 2010-11 (HC 667)
- Treasury Minute: May 2011 (Cm 8060)
- Treasury Minute Progress update: July 2012 (Cm 8387)

Updated Government response to the Committee

There was 1 conclusion and 7 recommendations in this report. As of the last Treasury Minute (Cm 8387), 3 recommendations were implemented. 4 recommendations remained work in progress, of which 2 have now been implemented, as set out below.

3: Committee of Public Accounts conclusion

There remain wide, unexplained variations in the performance of cancer services and the delivery of treatment across the country.

Recommendation:

In order to reduce the risks of a postcode lottery in access to treatment and services, the department should identify and implement clear and practical actions that can be taken to spread good practice quickly so that the worst performing Primary Care Trusts (PCS)s can be brought up to the standards of the best.

3.1 The Government partially agreed with the Committee's recommendation.

Recommendation implemented.

3.2 NHS England continues to publish information about variation in outcomes and taking action to support commissioners in understanding variation in outcomes through publication of the CCG OIS and the outcomes tool that is published on the NHS England website. Although it is for CCGs to assess why the outcomes they achieve vary from the average and to determine what course of action to take as a result,

3.3 NHS England holds CCGs responsible for delivering improved outcomes for their local population. The CCG Outcomes Indicator and the delivery dashboard are two of the sources of evidence which CCGs and NHS England use as part of quarterly assurance discussions, and NHS England can use them to assure how far CCGs are delivering improved outcomes. In its role as a direct commissioner of specialised cancer services NHS England has produced a set of over 20 national service specifications derived from evidence based good practice with which any provider of specialised cancer care must comply (derogations excepted) from 2014-15 onwards.

5: Committee of Public Accounts conclusion

A particular problem is the paucity of data in most regions about the stage that a patient's cancer has reached at the time of diagnosis.

Recommendation:

The department should ensure that staging data is complete and timely in at least 70% of cases in each region by the end of 2012.

5.1 The Government partially agreed with the Committee’s recommendation.

Target implementation date: December 2014**.**

5.2 The new National Cancer Registration Service in Public Health England (PHE) amalgamated all exiting regional cancer registration offices in England. PHE implemented and rolled out a programme of work to increase the provision of staging data from all acute providers to ensure they achieve the 70% staging target required. This work has been completed with staging at above 70% for the 5 major tumour sites and around 60% for minor sites.

5.3 Consistent processing is now established across England, with targets met for data delivery to ONS and complete ascertainment of cases. Improvement will continue during 2014 moving to real time data processing by end of 2014. Targets for staging and timeliness agreed with the department for 2014-15.

7: Committee of Public Accounts conclusion

Many commissioners do not do enough to understand costs and value for money in their delivery of cancer services.

Recommendation:

The department should say how it will measure improvements and what incentives and penalties will be used to ensure that value for money is at the heart of commissioning decisions.

7.1 The Government partially agreed with the Committee’s recommendation.

Recommendation implemented.

7.2 The Mandate to NHS England sets out clear expectations of NHS England as a system leader in supporting the delivery of local and national priorities. This includes leading the continued drive for efficiency savings, while maintaining quality. NHS England has a specific objective to ensure good financial management and unprecedented improvements in value for money across the NHS, including ensuring the delivery of its contribution, and that of CCGs, to the Quality and Innovation Productivity and Prevention (QIPP) programme.

7.3 NHS England also has an objective to ensure that, whether NHS care is commissioned nationally by NHS England or locally by clinical commissioning groups, the results – the quality and value of the services – should be measured and published in a similar way, including against the relevant areas of the NHS Outcomes Framework. Success will be measured not only by the average level of improvement, but also by progress in reducing health inequalities and unjustified variation.

8: Committee of Public Accounts conclusion

The numbers of cancer survivors is expected to increase from 1.7 million in 2010 to 2 million by 2020, yet the department is unable to measure whether it is delivering on its commitment of more cost-effective provision of follow-up and care outside hospital.

Recommendation:

The department should identify and disseminate examples of good practice where savings and benefits to patients are identified and evaluate what impact alternative approaches to follow-up care have on hospital activity.

8.1 The Government agreed with the Committee’s recommendation.

Target implementation date: 2014-15.

8.2 The NHS England National Clinical Director for Cancer, working in collaboration with the Strategic Clinical Networks for Cancer, has a key role to play in identifying and disseminating good clinical practice. NHS England recognises that patient follow up is an area in which improvements could be made.

8.3 Work on four interrelated priority areas will be developed during 2014-15, each aimed at improving patient outcome and experience and reducing non value adding activity:

- Spread and implementation of risk stratified, tumour specific survivorship pathways, aimed at maximising self-management, supported by agreed surveillance regimes. This work will include review and ongoing evaluation of the economic impact of alternative approaches to follow up care;
- Implementation of the Recovery Package for all cancer patients;
- Physical activity to promote re-enablement and reduce risk of recurrence; and
- Improved understanding, support and management of consequences of treatment.

Twenty Fifth Report

Department for Work and Pensions

Reducing errors in the benefit system

Summary of the Committee's findings

The benefits system is large and complex. There are around 30 different types of benefits and pensions, and £148 billion was paid out to 20 million people in 2009-10. The Department for Work and Pensions estimates that £2.2 billion of overpayments and £1.3 billion of underpayments were made in 2009-10 as a result of administrative errors by its staff and mistakes by customers. Whilst the value of these errors as a proportion of total benefit expenditure is low, the amounts involved are still very significant sums of public money and have contributed to the department's accounts being qualified for 22 consecutive years.

Background resources

- NAO report: *Minimising the cost of administrative errors in the benefit system* - Session 2010-11 (HC 569)
- NAO report: *Reducing losses in the benefits system caused by customers' mistakes* - Session 2010-11 (HC 704)
- PAC report: *Reducing errors in the benefit system* - Session 2010-11 (HC 668)
- Treasury Minute: May 2011 (Cm 8069)
- Treasury Minute – progress on implementing recommendations: July 2012 (Cm 8387)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8387), 2 recommendations were implemented. 4 recommendations remained work in progress, of which 2 have now been implemented, as set out below.

2: Committee of Public Accounts conclusion
The department has focused on reducing overpayments and neglected underpayments, despite the hardship that underpayment of benefits can cause for claimants.

Recommendation:
The department's drive to reduce overpayments must not be at the expense of reducing underpayments. It should set clear goals to reduce underpayments which are as challenging as its target on overpayments.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 The department will not introduce an external target for reducing underpayments as any action taken to reduce levels of fraud and error are focused on improving levels of overall correctness, which includes underpayments. The department is committed to developing an internal measure of success on underpayments and will provide updates. In 2012, the department developed a Monitoring and Evaluation plan to track Annual Managed Expenditure (AME) savings of fraud and error initiatives and estimate the impact on the monetary value of fraud and error. This includes both underpayments and overpayments.

3: Committee of Public Accounts conclusion
The department does not know which of its interventions have the biggest impact on reducing error because it has undertaken only a partial assessment of their costs and benefits.

Recommendation:
The department should complete a full cost-benefit assessment of each intervention, and keep these up-to-date, so that resources can be targeted on the interventions that are most cost-effective at reducing error.

3.1 The Government agreed with the Committee's recommendation.

Target Implementation date: October 2014.

3.2 In 2013, the department produced work programmes for all key benefits, which set out a comprehensive list of all fraud and error reduction activities which the department was taking forward. These programmes will allow the department to understand the range of actions in place, including: costs; benefits; risks; and key milestones. The department is working on a series of benchmarking exercises that aim to set out a more sophisticated approach to fraud and error in legacy benefits.

3.3 In partnership with the NAO, the department has already built a stronger picture of fraud and error in both Pension Credit and Jobseekers Allowance. The department is in the process of developing a dashboard to gain a better understanding on data relating to fraud, customer error, official error and debt. The aim is that this information will be used to target specific areas of risk where the department needs to improve performance.

4: Committee of Public Accounts conclusion

The department does not have a sound understanding of where and why errors arise and is not doing enough to prevent errors entering the system in the first place.

Recommendation:

The department needs to improve its use of data to help it identify sources of error and prevent mistakes from occurring.

4.1 The Government agreed with the Committee's recommendation.

Target implementation date: April 2015.

4.2 The department already gathers a range of information from staff from on-line forums; surveys; workshops; and networking. This information is used to inform the development of new initiatives, targeting fraud and error in the benefit system, and used to improve guidance, and staff development. The Fraud and Error Programme implemented, in 2013, a Counter Fraud Capability to support Personal Independent Payments, Universal Credit, and Pathfinders (previously named IRIS Stage 1).

4.3 The department is building on the early prevent approach by developing regular business rules to detect in-claim unreported changes. Both will be enhanced further by additional business rules and a streamlined process that an automated data feed will enable. Delivery of this automated capability is planned for 2014-15.

6: Committee of Public Accounts conclusion

Wider welfare reforms could reduce error in the long term by simplifying the benefits system, but could also distract the department from its focus on getting error rates down now.

Recommendation:

The department must ensure that its commitment to reduce error remains a priority and is sustained while preparations for Universal Credit go ahead.

6.1 The Government agreed with the Committee's recommendation

Recommendation implemented.

6.2 Since April 2011, the department has invested heavily in compliance activities, with dedicated centres set up to cleanse cases, delivering substantial returns. In October 2011, the department launched a new data system to provide up to date information on tax credits to local Government to help detect Housing Benefit overpayments. The department has also undertaken joint criminal investigations with HMRC, with a view to prosecuting claimants who have committed both tax credit and benefit fraud. This continues with the Single Fraud Investigation Service running a number of pilots to test the design and conduct single investigations. The fraud and error and programme works in conjunction with the Universal Credit and PIP Programmes to reduce any risk to delivery.

Twenty Sixth Report

Department of Health

Management of NHS hospital productivity

Summary of the Committee's findings

Over the last ten years, Government spending on the NHS increased by 70%, from £60 billion in 2000-01 to £102 billion in 2010-11, with around 40% spent on services provided by acute and foundation hospitals. This substantial increase in funding enabled hospitals to invest in more, better paid staff and improve their buildings and equipment. In return there have been significant improvements in the performance of the NHS, particularly in those areas targeted by the Department of Health such as hospital waiting times and outcomes for patients with cancer and coronary heart disease. However, the level of hospital activity has not kept pace with the increased resources as hospitals focused on meeting national targets, but not on improving productivity, and productivity has actually fallen over the last decade.

Background resources

- NAO report: *Management of NHS hospital productivity* - Session 2010-11 (HC 491)
- PAC report: *Management of NHS hospital productivity* - Session 2010-11 (HC 741)
- Treasury Minute: May 2011 (Cm 8060)
- Treasury Minute Progress update: July 2012 (Cm 8387)

Updated Government response to the Committee

There was 1 conclusion and 6 recommendations in this report. As of the last Treasury Minute (Cm 8387), 1 recommendation was implemented. 5 recommendations remained work in progress, of which 4 have now been implemented, as set out below.

2: Committee of Public Accounts conclusion
Since 2000 total productivity fell by an average of 1.4% a year in hospitals as the level of activity (outputs) has not kept pace with the increased resources (inputs).

Recommendation:
The department needs to have a more explicit focus on improving hospital productivity if it is to deliver its ambitious savings targets without healthcare services suffering.

2.1 The Government agreed with the Committee's recommendation.

Target implementation date: March 2015.

2.2 Through the Government's focus on hospital productivity, the NHS is on track to deliver up to £20 billion of efficiency savings by 2015, with the acute sector making £2.5 billion of efficiency in 2012-13, allowing it to treat more patients than ever before while maintaining a good financial position. The department monitors the performance of the NHS ensuring that delivery of the efficiency savings does not have an adverse effect on access, quality or outcomes performance.

2.3 The Department has set up a strong system of governance led by ministers, involving NHS England, Monitor, the Trust Development Authority, and others to ensure we meet the savings requirements set out in our 2013 Spending Review settlement. This work includes a continued focus on hospital productivity and system wide efficiencies, and will be vital in ensuring the health system as a whole remains in financial balance.

3: Committee of Public Accounts conclusion
The department does not believe that the existing measure sufficiently accounts for improvements in quality.

Recommendation:
The department should resolve differences with the Office for National Statistics (ONS) and agree measures for both NHS productivity as a whole and for hospital productivity specifically, which account effectively for changes in quality.

3.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

3.2 The department and the ONS agreed on how to measure productivity, where data is fully available. This would look at the change in the volume of inputs relative to the change in the volume of outcomes received by patients. However, the department is unlikely to be in such a position where this data is available, as this would require capturing perfectly the health outcome change for each and every patient seen and finding a way to be able to attribute this to the NHS. The measurement of healthcare productivity is more advanced than other public service areas, and it is recognised that UK health productivity measurement is more sophisticated than most other countries.

3.3 The ONS published the most recent health care productivity article in December 2012. This included revisions to previously published figures taking account of updated methodology following discussions between the ONS and the department.

4: Committee of Public Accounts conclusion

The department should make clear the responsibility of hospital Boards to use and act on comparable data with a view to identifying scope for improvement.

Recommendation:

The department should make clear the responsibility of hospital Boards to use and act on comparable data with a view to identifying scope for improvement. Once it has agreed the productivity measure, the department should then publish hospital level productivity data.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The NHS Better Care, Better Value Indicators give a Trust level dashboard of the current efficiency performance and are publicly available on the NHS productivity website.[1] The dashboard provides information on the potential financial savings and volume reduction opportunity that is possible from reaching the performance level of the 10th, 25th, or 50th percentile of national trust performance across eight indicators:

- reducing length of stay;
- managing first follow up;
- staff sickness absence;
- outpatient appointments not attended;
- emergency readmissions within 14 days;
- the level of 'day case' surgery;
- the number of pre-procedure bed days per non-elective procedure;
- the number of pre-procedure bed days per elective procedure;

4.3 The dashboard also provides each Trust with a ranking of how they perform nationally against each indicator. The department agrees that it is the responsibility of Trust and Foundation Trust boards, with the support of the Trust Development Authority and Monitor respectively, to use this information to inform their work to improve the productivity of their hospitals and the other services that they provide.

6: Committee of Public Accounts conclusion

Hospitals have been unsuccessful in reducing emergency admissions, and those with a relatively high proportion of emergency admissions tend to have higher overall costs.

Recommendation:

The department should report back to the Committee by July 2012 on hospitals' progress in reducing emergency admissions and the consequent impact on hospital productivity.

6.1 The Government agreed with the Committee's recommendation.

[1] www.productivity.nhs.uk

Recommendation implemented.

6.2 Despite efforts to reduce demand, emergency admissions and pressures on Accident and Emergency units have continued to rise. The Government is intensifying its efforts to reduce the pressures on the acute sector, including Transforming Primary Care and establishing the £3.8 billion Better Care Fund, both of which will promote the provision of services that help reduce avoidable emergency admissions and readmissions. Figures from the Health and Social Care Information Centre show that there were 5.3 million emergency admissions in 2012-13 compared to 5.2 million in 2011-12, an increase of 1.8%.

7: Committee of Public Accounts conclusion

The 'Payment by Results' system is a key element in influencing productivity improvements, but there needs to be greater clarity in defining how it will operate during the transition period and beyond.

Recommendation:

Before handing over responsibility to Monitor, the department should set out its plans for extending the system to the 40% of hospital activity not yet covered; how tariffs will be aligned with the expected efficiency gains; and how it will mitigate the risk that, were there to be increased price competition, this might reduce the quality of service, or hospitals may decide not to provide some services.

7.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

7.2 The department has handed over responsibility of the national tariff to NHS England and Monitor as set out in the Health and Social Care Act 2012. The 2014-15 Tariff was the first to be delivered under the new arrangements. Minimal change was made to the 2013-14 National Tariff to provide certainty to the sector and enable the organisations to reduce risk, as they took on responsibility for their new functions. The respective parties will set out their longer-term strategy for the National Tariff when their strategy is published in 2014.

7.3 The 2014-15 National Tariff Document sets out the current coverage of the tariff along with the level of efficiency required. The parties have now started the process for developing the 2015-16 National Tariff (National Prices Methodology[2] discussion paper published 25 April 2014). The department expects them to introduce more substantial changes than proposed for the 2014-15 National Tariff.

[2] http://www.monitor.gov.uk/node/6272

Twenty Seventh Report
HM Revenue and Customs
Managing civil tax investigations

Summary of the Committee's findings

Some £15 billion of tax a year is lost through evasion, fraud and criminal attack. Civil investigations are an important element of HM Revenue and Customs work to tackle this serious non-compliance. They are targeted on the minority of taxpayers who deliberately seek to evade their obligations. Effective investigations bring in revenue both from tax recovered and financial penalties imposed.

Background response

- NAO report: *Managing civil tax investigations*- Session 2010-12 (HC 677)
- PAC report: *Managing civil tax investigations*- Session 2010-12 (HC 765)
- Treasury Minute: May 2011 (Cm 8069)
- Treasury Minute - progress in implementing recommendations: July 2012 (Cm 8387)

Updated Government response to the Committee

There were 8 recommendations in this report. As of the last Treasury Minute (Cm 8387), 4 recommendations were implemented. 4 recommendations remained work in progress, all of which have now been implemented, as set out below.

4: Committee of Public Accounts conclusion

Only 20% of cases referred to dedicated investigation teams were adopted, creating disillusionment among caseworkers.

Recommendation:

The department plans to re-launch the system with revised criteria to better identify serious fraud and evasion cases. It should set an expected adoption rate and monitor the system closely. The department should also review what happens to cases which are rejected.

4.1 The Government partially agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The department launched a new evasion referral process in 2012 and this has since been further refined to reduce the number of cases likely to be rejected. The reason for a rejection database is to capture the necessary feedback and data for monitoring. Adoption and rejection rates continue to improve and when a case is rejected, better advice is now given to the referrer to ensure that the case is worked appropriately. Service Level Agreements for each part of the process have been introduced and as a result, the department is beginning to see faster tracking of cases. To supplement the new process a new improved evasion referral form has been introduced. This is now in the testing phase as planned.

6: Committee of Public Accounts conclusion

Over one quarter of civil investigations of fraud resulted in a penalty of less than 10% of the tax due, and one in seven did not impose any penalty.

Recommendation:

The department should track the level of penalties imposed to ensure that it is applying the new regime rigorously.

6.1 The Government agreed the Committee's recommendation.

Recommendation implemented.

6.2 The department undertook two specific reviews to improve tracking and application of the new penalty regime.

- **Cross-directorate moderation**: the department reviewed 30 settled cases and found the incorrect application of new penalties was applied in 14 cases. 6 recommendations were implemented covering quality management procedures, awareness and further reviews.
- **Cases settled without penalties:** the department reviewed all 56 Code 9 cases settled in 2012-13 with positive tax yield, but no penalties. The decision not to charge a penalty was justifiable in the majority of cases. However, in 9 cases, penalties should have been charged, but were not.

6.3 The lessons learnt have been incorporated to improve the department's performance. This includes raising awareness of issues through champions and bulletins, greater visibility of results and the inclusion of a specific objective in individual performance plans.

7: Committee of Public Accounts conclusion

The department does not have adequate systems for ensuring that the outstanding tax, interest and penalties due from civil investigations are paid.

Recommendation:

The department should vigorously pursue the collection of debt and improve its systems so that it can track whether debts are paid. It should set a target date for achieving a 95% collection rate.

7.1 The Government partially agreed with the Committee's recommendation.

Recommendation implemented.

7.2 The department set up a cross-cutting governance body, the Debt Planning Group (DPG). The group dovetails with our main business forum, the Campaigns Operating Group, to prioritise, plan and communicate collection campaign activity on compliance debts, including civil investigations. The DPG takes account of movement of compliance debt from upstream.

7.3 The debt analytics system (ADEPT) went live in October 2011 and tracks the status of debts daily. ADEPT has been used to develop a range of performance measures that enable the department to monitor and improve collection performance. The department has created specific compliance debt segments in all its major campaigns and has implemented a compliance settlement debt campaign to pursue and, where necessary, enforce. The settlement debts are monitored centrally in line with the department's new campaign approach and it ensures that they receive appropriate and expert attention.

8: Committee of Public Accounts conclusion

The tax gap provides an important measure of the department's long-term performance in tackling non-compliance, but a range of measures are needed to assess the impact of enforcement activities in the short term.

Recommendation:

In assessing its performance, it should also improve its understanding of the impact of its work on taxpayer behaviours and levels of non-compliance, while keeping in view the broader objective to reduce the tax gap.

8.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

8.2 The commitments made at the Spending Review (SR10) entail a very large change programme across the department. A rolling programme of monitoring via the Performance Management Framework (PMF) is in place to show progress in meeting the Strategic Objective 1 (SO1) output targets. This is supplemented by a planned rolling programme of evaluation of key individual SR10 measures, their components and approaches. Sources for this work include the PMF plus wider measurement of taxpayers' perceptions of the likelihood of being caught for regular evasion, and acceptability of evasion. It also includes evaluations of specific elements of the wider SR10 initiatives including campaigns and taskforces. Monitoring and evaluation shows the department is making effective progress. A full evaluation will be made at the end of SR10 period in 2014-2015.

Thirtieth Report

Ministry of Defence

Management of the Typhoon Project

Summary of the Committee's findings

Typhoon is a multi-role aircraft capable of both air defence and ground attack. The Ministry of Defence entered into a contract for the first 53 aircraft in 1998, and is buying Typhoon in collaboration with Germany, Italy and Spain. The total cost to the United Kingdom of buying the aircraft and supporting them in service over the next 20 years is estimated to be £37 billion.

Background resources

- NAO report: *Management of the Typhoon Project* - Session 2010-12 (HC 755)
- PAC report: Management of the Typhoon Project - Session 2010-12 (HC 860)
- Treasury Minute: June 2011 (Cm 8110)
- Treasury Minute – progress on implementing recommendations: July 2012 (Cm 8387)

Updated Government response to the Committee

There were 9 recommendations in this report. As of the last Treasury Minute (CM 8387), 6 recommendations were implemented and the department disagreed with 2 recommendations. 1 recommendation remained work in progress, which has now been implemented, as set out below.

8: Committee of Public Accounts
The Senior Responsible Owner on Typhoon is not involved in key decisions, for example, those related to exports of the aircraft.

Recommendation:
The department should consider, as part of the work of the Defence Reform Unit, how to give SRO's the authority they need to manage the delivery of the equipment for which they are accountable.

8.1 The Government partly agreed with the Committee's recommendation

Recommendation implemented.

8.2 Following Lord Levene's report and to support Defence Reform Initial Operating Capability on 1 April 2013, the department introduced updated SRO policy and procedures specifically considering tenure related to key programme milestones, span of control and linking the appointment to responsibilities and accountabilities outlined in the new Operating Model as a result of the Financial and Military Capability Transformation Programme.

8.3 From 1 April 2013, these policies and processes have been used to manage new SRO appointments for Capability programmes in the Front Line Commands (and Head Office Strategic Programmes). For the department's most significant Capability programmes the appointments (directly by the PUS, or the relevant TLB holder, approved by PUS) have been made taking account of tenure issues and milestones to be achieved and the number of SRO roles proposed for the each SRO. TLB holders are required to take similar judgements for all other programmes.

8.4 Lord Levene's 2nd Annual Progress Report dated November 2013 stated there is now some evidence that longer tour lengths may be becoming the standard for senior military and civilian posts at two-star and above but he highlighted that this needs to become the norm.

Thirty First Report
HM Treasury
Asset Protection Scheme

Summary of the Committee's findings

In October 2008, the Government put in place measures to support UK banks, including purchases of shares in the Royal Bank of Scotland (RBS) and Lloyds Banking Group (Lloyds). The economic downturn continued to intensify, however, further undermining market confidence in the value of banks' assets. To restore confidence, the Government launched an Asset Protection Scheme in January 2009 to protect banks against further exceptional losses on their assets. During negotiations to finalise the Scheme, the Treasury remained alert to developments in the market throughout 2009 and made changes to the Scheme to better protect the taxpayer. As part of the Scheme, Lloyds and RBS agreed to meet published targets for lending to households and businesses.

Background resources

- NAO report: *Asset Protection Scheme* - Session 2010-12 (HC 567)
- PAC report: *Asset Protection Scheme* - Session 2010-12 (HC 785)
- Treasury Minute: June 2011 (Cm 8110)
- Treasury Minute – progress on implementing recommendations: July 2012 (Cm 8387)

Updated Government response to the Committee

There was 1 conclusion and 7 recommendations in this report. As of the last Treasury Minute (CM 8387), 3 recommendations were implemented. 4 recommendations remained work in progress, all of which have now been implemented, as set out below.

2: Committee of Public Accounts conclusion

The Treasury conducted extensive investigations of the assets put forward for inclusion in the Scheme, but both banks encountered major difficulties in providing all the data requested.

Recommendation:

The Treasury should take steps to ensure the banks address these gross deficiencies in basic data and, when considering the future role of financial services regulators, make sure that arrangements are in place to test whether this has been done.

2.1 The Government agreed with the Committee's recommendation

Recommendation implemented.

2.2 The lack of sufficient and appropriate data was part of the more general failure by some banks to understand and manage properly the risks that they were taking. The Financial Services Act 2012 a new system of focused financial services regulators, namely; the Financial Policy Committee (FPC), the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) which were all formally launched on 1 April 2013.

2.3 The Act provides for a more focused, judgement-led and forward-looking approach to regulation, including by giving the new PRA an explicit 'duty to supervise', and broader powers to impose requirements on regulated firms. These provisions make clear that the role of the prudential regulator is not just to monitor compliance with prudential rules, but to take an ongoing close interest in the way that firms are being run.

2.4 Since their creation the new regulators have adopted a more judgment led approach to ensure that banks have robust, complete and accurate data and have intervened where necessary to ensure firms comply with their rules.

5: Committee of Public Accounts conclusion
There were gaps in the Treasury's analysis of how much RBS should pay for the Scheme.

Recommendation:
Given the huge sums at stake, it remains unsatisfactory that a comprehensive analysis was not undertaken and the Committee expects to see such analyses in the future where there is a significant exposure to the taxpayer.

5.1 The Government agreed with the Committee's recommendation

Recommendation implemented.

5.2 As part of its regular engagement with the Asset Protection Agency (APA), the Treasury assessed how successful it had been and whether it might have been possible to refine the terms of the scheme. Building on this experience, the Treasury will conduct further analysis should there be another scheme involving large Government exposures.

7: Committee of Public Accounts conclusion
While the prospect of the Treasury making payments to RBS has receded since 2009, there remains a risk that a further and severe economic downturn might result in RBS remaining in the Scheme for the foreseeable future.

Recommendation:
The Treasury, through the Asset Protection Agency, must make sure that RBS properly prioritises and complies with the requirements of the Scheme to maximise the returns on the insured assets in the interests of the taxpayer, its largest shareholder.

7.1 The Government agreed with the Committee's recommendation

Recommendation implemented.

7.2 The Government launched the Asset Protection Agency (APA) in December 2009 to manage the Asset Protection Scheme (APS) on behalf of the Treasury. The Agency's purpose was to operate the APS. The APS was established during the financial crisis to improve confidence and restrict bank losses, so as to enable a financial sector recovery. The Scheme, launched in early 2009, initially involved two banks. RBS eventually put £282 billion of assets into the Scheme, while Lloyds Banking Group paid £2.5 billion to exit the Scheme in November 2009 and instead raised additional capital from shareholders.

7.3 On 17 October 2012, the Treasury and Royal Bank of Scotland Group (RBS) agreed that RBS would exit the APS on 18 October 2012. As RBS continued to stabilise and manage down non-performing assets, the APS no longer provided material benefit in strengthening RBS' financial position. Having reached the minimum fee of £2.5 billion and with no payout under the scheme deemed likely, the Government agreed with RBS to allow its exit. Following RBS' exit from the APS, the APA had fulfilled its objectives and closed on 31 October 2012.

7.4 The Government has received APS fees of £2.5 billion and other charges of £2.8 million plus interest payments from RBS and £2.5 billion from Lloyds. There have been no payouts under the APS. The Government realised a £5 billion profit for the UK taxpayer.

8: Committee of Public Accounts conclusion
The Treasury took the lead role in developing the Scheme and has accumulated valuable knowledge and experience in doing so.

Recommendation:
The Treasury will need to make sure that in reducing its staffing it retains sufficient capability to understand and challenge proposed interventions should its approval be sought in the future.

8.1 The Government agreed with the Committee's recommendation

Recommendation implemented.

8.2 The review of the Treasury's management response to the financial crisis recommended that the Treasury retains the skills and experience needed to manage interventions in the banking sector: financial sector and markets expertise; and project and crisis management. The review also recommended that the Treasury reports publicly on progress against the recommendations by 2013-14. The Treasury wrote to the Committee, in July 2013, setting out progress against its response to the recommendations in the *Review of the HM Treasury's management response to the financial crisis*.

8.3 As part of the Financial Services Act 2012, the Government has published a draft Memorandum of Understanding (MOU) on crisis management, which makes clear that the Chancellor has the sole responsibility for any decision on when and how to use public funds. The MOU is also clear that while the Bank will be responsible for day to day management of any future banking crisis, it will need to cooperate closely with the Treasury following any notification of a risk to public funds.

Thirty Second Report

HM Treasury

Maintaining financial stability of UK banks - update on the support schemes

Summary of the Committee's findings

In 2007, following a period of instability in the financial markets, the Treasury intervened to protect depositors and stop instability spreading. This included nationalisation and lending to troubled institutions and to the Financial Services Compensation Scheme, the purchase of a large number of shares in RBS and Lloyds, establishing sector-wide schemes to guarantee banks' debt-funding and protect their assets, and indemnifying the Bank of England against losses for providing temporary liquidity.

Background resources

- NAO report: *Maintaining the financial stability of UK banks: update on the support schemes* Session 2010-12 (HC 676)
- PAC report: *Maintaining the financial stability of UK banks: update on the support schemes* Session 2010-12 (HC 793)
- Treasury Minute: June 2011 (Cm 8110)
- Treasury Minute – progress on implementing recommendations: July 2012 (Cm 8387)

Updated Government response to the Committee

There were 9 recommendations in this report. As of the last Treasury Minute (Cm 8387), 2 recommendations were implemented. 7 recommendations remained work in progress, all of which have now been implemented, as set out below.

1 and 6: Committee of Public Accounts conclusions

Banks should not be dependent on taxpayer support. The value for money of removing the explicit taxpayer support will be highly dependent on the Treasury's handling of the sale of the shares in RBS and Lloyds, a sale far greater than any previous privatisation.

Recommendations:

The Treasury must continue to manage down the explicit support and work towards a financial system where risk is borne solely by investors. The Treasury has not yet set out its plans for the sale but should continue to work with UK Financial Investments to ensure an orderly programme of disposals.

1.1 The Government agreed with the Committee's recommendation

Recommendations implemented.

1.2 UK Financial Investments (UKFI) is responsible for developing strategies to dispose of the Government's investments in financial institutions in an orderly and active manner, within the context of protecting and creating value for the taxpayer, paying due regard to financial stability and to acting in a way that promotes competition. UKFI will look at the full range of alternatives for investment, and will make its recommendations based on market conditions, an assessment of investor demand and on value for money considerations. The ultimate decision to proceed with any transaction will rest with the Chancellor of the Exchequer.

1.3 The Treasury has applied relevant lessons from the Northern Rock sale in the sales of its shareholdings in Lloyds, and will continue to do so in future sales of Lloyds and RBS shares. The National Audit Office judged that the Government's first sale of shares in Lloyds in September 2013 was managed effectively and provided value for money, in line with UKFI's stated mandate and core objectives.[3]

[3] https://www.nao.org.uk/report/first-sale-of-shares-in-lloyds-banking-group/

2: Committee of Public Accounts conclusion

Whilst parts of the banking industry believe that the time for remorse is over, so long as banks are too big to fail, there remains an implicit expectation of taxpayer support.

Recommendation:

Although the risk of such a failure has reduced since 2008, the Treasury must maintain momentum for international reform in this area. It should also continue to work with the Bank of England to develop a credible resolution regime capable of handling the failure of a systemically important bank.

2.1 The Government agreed with the Committee's recommendation

Recommendation implemented.

2.2 The Government, along with other G20 members, endorsed the Financial Stability Board (FSB) comprehensive policy framework, which comprises a new international standard for resolution regimes, more intensive and effective supervision, and requirements for cross-border cooperation and recovery, and resolution planning. In addition, from 2016, global systemically important financial institutions (G-SIFIs), as identified using the Basel Committee's methodology, will be required to hold additional loss absorbency to reflect the risk they pose to the global financial system.

2.3 The Government is committed to implementing the FSB standards and recommendations within the agreed timelines and agreed to undertake the necessary legislative changes, step-up cooperation amongst authorities and strengthen supervisory mandates and powers where necessary. For example: the Bank of England and the Treasury contributed to the FSB's development of an assessment methodology with regard to progress being made in implementing the international standard for resolution regimes.

3, 4 and 7: Committee of Public Accounts conclusions

The Treasury is providing a subsidy of at least £1 billion through the Credit Guarantee Scheme. It is inappropriate for a bank dependent on taxpayer support to be generating excessive incomes or dividends at the expense of exiting public support. Unless banks can replace taxpayer funding with alternative sustainable funding over the next two years, the Government may still be called on to provide additional support.

Recommendations:

The Treasury should look for ways to ensure that banks are not paying bonuses or dividends at the expense of repaying the subsidy. The Treasury must explore all avenues to ensure that the remuneration packages for the part-nationalised banks provide value for money for the taxpayer, and properly reflect the burden on the taxpayer of continuing support.

The Treasury, working with the Bank of England, must continue to encourage a smooth and timely run-down of the Credit Guarantee and Special Liquidity Schemes. In addition it should continue to develop its contingency plans for managing an orderly transition to full private funding.

3.1 The Government agreed with the Committee's recommendation

Recommendations implemented.

3.2 The Government has consistently indicated that banks need to show responsibility and restraint on remuneration. This is delivering results – as indicated by the significant reduction in overall bonus pools year-on-year; and by the increased transparency on remuneration by banks. However, given the huge public stake in RBS and LBG, it is essential that value for money is achieved for the taxpayer. As a major shareholder the Government has made clear that both RBS and LBG should be industry backmarkers when it comes to bonuses.

3.3 The CGS closed in 2012-13 as the last guaranteed debt issuance reached maturity in October 2012. Over the life of the scheme, fees totalled £4.3 billion and no pay-outs were made. The SLS came to an end on 30 January 2012 and all drawings under the scheme were repaid before the scheme closed. The gross surplus of £2,262 million was paid by the Bank to the Treasury.

8: Committee of Public Accounts conclusion

It is still not clear how the Treasury will manage its competing objectives of maintaining financial stability, promoting competition and realising the value of the taxpayers' investments.

Recommendation:

The Treasury will need an explicit framework for how it will manage these competing objectives. It should analyse the costs and benefits of options for the size and shape of the banking industry, and quantify the value it places on each of its objectives.

8.1 The Government agreed with the Committee's recommendation

Recommendation implemented.

8.2 The Government set out its detailed response to the Independent Commission on Banking (ICB) in a white paper published in June 2012. This included a statement of the Government's policy objectives, and policy proposals to achieve those objectives.

8.3 Since the white paper, and in the light of responses to consultation on the white paper, the Government has brought forward legislation to implement the recommendations of the ICB. This includes primary legislation (the Financial Services (Banking Reform) Act 2013, which was published in draft in October 2012, introduced to Parliament in February 2013, and received Royal Assent in December 2013), and secondary legislation (published in draft for consultation in July 2013 and laid before Parliament in July 2014). The Government set out its policy objectives and explained how these were delivered by the legislation during Parliamentary scrutiny of the legislation.

8.4 The Government published Impact Assessments alongside the June 2012 white paper, at each stage of the Banking Reform Act's Parliamentary progress, and alongside the publication of the draft and final secondary legislation. These Impact Assessments set out in detail the Government's estimates of the costs and benefits of proceeding with the legislation, including quantitative estimates where this is possible.

Thirty Third Report
Department of Health
National Health Service Landscape Review

Summary of the Committee's findings

The Health and Social Care Bill, published on 19 January 2011, proposes a new model for the NHS focusing on patient outcomes. The proposals are intended to transform the NHS in England into a highly devolved, market-based model in which local commissioners and providers of health services are freed from central control, with an increased say for local authorities, patients and the public.

The two significant structural changes proposed in the Bill are the abolition of the current structure of commissioners of health services and the regional organisations that oversee them (Primary Care Trusts and Strategic Health Authorities), and the creation of the NHS Commissioning Board and GP commissioning consortia to make commissioning more clinically led. The Government also expects all health service provider trusts to become Foundation Trusts by 2014.

Background resources

- NAO Report: *National Health Service Landscape Review* - Session 2010-12 (HC 708)
- PAC Report: *National Health Service Landscape Review* - Session 2010-12 (HC 764)
- Treasury Minute: September 2011 (Cm 8179)
- Treasury Minute - progress on implementing recommendations: July 2012 (Cm 8387)

Updated Government response to the Committee

There was 1 conclusion and 7 recommendations in this report. As of the last Treasury Minute (Cm 8387), 3 recommendations were implemented. 4 recommendations remained work in progress, of which 3 have now been implemented, as set out below.

4: Committee of Public Accounts conclusion
The department acknowledges that it may not be able to achieve all the savings intended under its efficiency programme.

Recommendation:
The department needs to monitor the savings and report regularly on progress against the target.

4.1 The Government agreed with the Committee's recommendation.

Target implementation date: March 2015.

4.2 The department is working closely with all its partner organisations on monitoring the delivery of efficiencies across the health and care system. Until April 2013, the department used Integrated Performance Measures (IPMs), covering quality, resources and reform as laid out in the Operating Framework for 2012-13. These were used to ensure that the NHS was on track to deliver the QIPP challenge and maintain quality. IPMs are published in *The Quarter*, available on the department's website.

4.3 In the reformed health system, all organisations have a role to play in ensuring the required efficiency improvements are delivered, with NHS England having a particularly crucial responsibility. Ensuring the delivery of QIPP is a requirement of the Government's mandate to NHS England. To deliver this requirement, NHS England is measuring QIPP performance against phased plans on a monthly basis as part of its finance report. This report is published online as part of NHS England's board papers. The department is also undertaking central assurance monitoring, comparing NHS performance data against Spending Review planning assumptions and reporting this progress quarterly to the Departmental Board and the Treasury.

4.4 The Health Select Committee of the House of Commons holds the department to account on QIPP performance annually as part of its Public Expenditure Inquiry. It is this assurance and monitoring of the hard work done by the NHS to deliver these savings that has ensured that the NHS is on track to deliver the up to £20 billion QIPP efficiency savings by 2015.

5: Committee of Public Accounts conclusion

The department's estimates of transition costs rely on GP commissioners being ready to take on a certain proportion of former Primary Care Trust staff.

Recommendation:

The department needs to regularly review the emerging costs of the transition and have contingency arrangements in place if costs exceed expectation.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 Costs are in line with expectations. In July 2013, the Secretary of State for Health announced that the costs of transition were likely to be close to the estimate in the business case for the programme (£1.5 billion). In its report *Managing the transition to the reformed health system*, the NAO reported that the department's best estimate was that total costs would be £1.5 billion: £1.1 billion to 31 March 2013 plus future total costs of £411 million. However, at the time, the department did not have up to date data on the costs that were expected to be incurred in 2013-14 and beyond.

5.3 Across the new system, the department has continued to collect data on costs attributable to the reforms. Final data for 2013-14 will only be available when the department's Annual Report and Accounts are published. However, the department's current expectation is that the revised forecast will be slightly less than £1.5 billion.

6: Committee of Public Accounts conclusion

The department told us there are at least 20 NHS hospital trusts which will struggle to obtain Foundation Trust status.

Recommendation:

The department will need to make arrangements for handling PFI debt in a way that allows all Foundation Trusts to operate on equal terms in the marketplace.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 The department has considered a number of solutions to PFI issues. The department will provide direct funding to the relevant NHS Trusts and Foundation Trusts, and any support for NHS Trusts will be provided thereafter on an ongoing basis.

6.3 In 2012, six NHS Trusts were identified as eligible for funding support totalling £1.5 billion over the remaining life of their PFI contracts, where affordability of their PFI schemes was considered as one of the factors preventing them from achieving financial sustainability and NHS Foundation Trust status. The funding was made available subject to each organisation meeting the following four tests:

- Test 1 – the problems they face should be exceptional and beyond those faced by other organisations.
- Test 2 – they must be able to show that the problems they face are historic and that they have a clear plan to manage their resources in the future.
- Test 3 – they must show that they are delivering high levels of annual productivity savings.
- Test 4 – they must deliver clinically viable, high-quality services, including delivering low waiting times and other performance measures.

6.4 The amount the six trusts received in 2013-14 was:

- South London Healthcare NHS Trust (now abolished) - £22.7 million
- Barking, Havering and Redbridge University Hospitals NHS Trust - £16 million
- St Helens and Knowsley Teaching Hospitals NHS Trust - £13 million
- Maidstone and Tunbridge Wells NHS Trust - £8 million
- Dartford and Gravesham Hospitals NHS Trust - £6 million
- North Cumbria University Hospitals NHS Trust – £6 million

6.5 South London Healthcare NHS Trust, in addition to the above sum, received £10.5 million of PFI support from NHS England for the 6 months up to its dissolution. A five-year settlement for the receiver Trusts of the two PFI schemes (Lewisham Healthcare NHS Trust and King's College NHS Foundation Trust) was agreed as part of the financial resolutions and agreements for the Trust being dissolved on 1 October 2013. Payments beyond 2013-14 will be indexed for the duration of the PFI contract on the same basis as the PFI contract.

7: Committee of Public Accounts conclusion
The small size of some GP consortia risks creating inefficiencies in the system.

Recommendation:
The department should take steps to ensure that the level of administrative funding for consortia of different sizes is adequate but not generous, and does not introduce perverse incentives.

7.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

7.2 NHS England is responsible for setting the running cost limits for Clinical Commissioning Groups (CCGs). For 2013-14 this was set at £25 per head of population. In December 2013, NHS England's Board agreed that CCGs should have total running costs of £1.35 billion in 2014-15 and agreed a planning assumption of £1.21 billion for 2015-16. This will be distributed to CCGs based on the population they serve.

7.3 Using Office for National Statistics (ONS) population projections, this equates to £24.73 per head of population in 2014-15 and £22.07 per head in 2015-16. NHS England and CCGs are under a statutory obligation to exercise their functions effectively, efficiently and economically, and be bound by specific statutory duties relating to financial control, including a duty to ensure expenditure on administration does not exceed the limits set in Financial Directions or in NHS England's allocations respectively.

Thirty Fourth Report

Home Office

Immigration: the Points Based System – work routes

Summary of the Committee's findings

The Government's policy is to allow the migration of skilled workers to the UK to support economic growth and better public services. The Home Office has overall responsibility for immigration policy and securing the UK's border, which it discharges through the UK Border Agency. The Agency has the hugely difficult task of designing and operating an immigration system which enables the UK to get the skills it needs, while protecting the interests of workers already resident in this country.

Background resources

- NAO report: *Immigration: the Points Based System – Work Routes* - Session 2010-11 (HC 819)
- PAC report: *Immigration: the Points Based System – Work Routes* - Session 2010-12 (HC 913)
- Treasury Minute: July 2011 (Cm 8129)
- Treasury Minute – progress on implementing recommendations: July 2012 (Cm 8387)

Updated Government response to the Committee

There were 7 recommendations in this report. As of the last Treasury Minute (Cm 8387), 1 recommendation was implemented. 6 recommendations remained work in progress, of which 4 have now been implemented, as set out below.

1 and 7: Committee of Public Accounts conclusions

The Points Based System is an improvement on the visa system which preceded it but has yet to fully meet its objectives. The Agency does not have the necessary management information on migrant applications to address compliance problems.

Recommendations:

1. The Agency needs to make significant improvements, particularly to encourage greater compliance and improve management information, so that the System works more effectively to meet its objectives.

7. Over the next two years, while it rolls out the new integrated immigration casework system, the Agency should establish performance measures and determine what management information it needs to manage compliance better across both migrant and sponsor management and ensure that the new systems are able to support these.

1.1 The Government agreed with the Committee's recommendation.

Recommendations implemented.

1.2 The department has made improvements to the National Operations Database to support better recording of tasking. In addition, the department is giving operational managers in Immigration Enforcement access to more detailed management information about productivity, success of operations and staff deployment.

1.3 In September 2012, the department launched the Allegations Management System, a central database for recording allegations received from the public. In August 2013, a new online web form for members of the public to report allegations was introduced. The system has been rebranded as the Intelligence Management System. Further improvements will be made in by summer 2014, subject to financial approval, to extend its use with frontline staff and make it easier to share intelligence and capture more information on non-compliance. Since April 2012, further changes to the Sponsor Management IT System have been made which has enabled the department to capture structured details of compliance visits, action plans, and licence renewals.

2: Committee of Public Accounts conclusion
The Agency has not done enough to ensure that migrant workers leave the UK when they no longer have a right to remain.

Recommendation:
The Agency should not use the lack of exit controls as an excuse to ignore thousands of people who overstay in this country illegally. It should develop a strategy to identify and deal with those overstaying, including students, workers and others who are in the UK illegally, and report publicly at least once a year on progress in reducing their numbers.

2.1 The Government partly agreed with the Committee's recommendation.

Target implementation date: April 2015.

2.2 The department is committed to introducing exit checks by April 2015, improving our ability to identify those who have failed to comply with conditions. The department has also procured commercial solutions to support the enforcement action being taken against over-stayers and reduce the number of cases requiring full enforcement action by focusing contact activity on voluntary departures.

2.3 A contract was signed with Capita, in October 2012, to contact manage those cases in the Migration Refusal Pool where there was no evidence to show that they had departed the UK after their leave had expired. Capita has completed its work on 218,300 cases. Of these, 22% (47,300) have been confirmed as having departed from the UK; 23% (50,000) have been through a process of attempted contact and tracing and resulted in no contact being made, and 55% (121,000) were not suitable to be contacted because of outstanding actions required on the individual cases, such as legal challenges and fresh applications under consideration. This includes updating and closing cases where there are duplicate records or errors.

3: Committee of Public Accounts conclusion
The Agency does not have enough control over whether sponsoring employers comply with their duties and does not appear to know where the main risks lie. The Agency does not check regularly through visits to ensure proper compliance with the rules by employers.

Recommendation:
The Agency should improve its ability to assess and address the risk of employers failing to comply with immigration rules by developing better systems and placing greater priority on compliance. It should also review its system of incentives and penalties to encourage better compliance, and consider what incentives it could offer to employers to guarantee their employees' adherence to immigration rules, in particular leaving the country when the visa has expired.

3.1 The Government partly agreed with the Committee's recommendation.

Recommendation implemented.

3.2 Sponsor visits are already conducted on a risk basis, although the department has made a series of further improvements. Visits are now centrally tasked and coordinated; risk assessment methodology has been improved; and there is now a documented visit strategy. 54% of follow up visits are now unannounced. This increase, in unannounced visits, is driven by the implementation of a robust compliance tasking regime, which is based on operational priorities and delivering outcomes.

5: Committee of Public Accounts conclusion
There are wide variations in productivity between the Agency's UK-based and overseas operations, and between different regions, which the Agency cannot fully explain. The Agency's visiting officers are not as productive as they should be.

Recommendation:
The Agency should investigate known areas of difference in productivity and focus greater effort on ensuring that staff in all locations work as productively as possible.

5.1 The Government agreed with the Committee's recommendation.

Target implementation date: end of 2014.

5.2 The department is committed to modernising systems and processes to drive efficiency and productivity improvements. For example, the department has completed an improvement programme to enhance delivery, capability and results of the compliance officer network. During 2013, the department implemented a new national operational process to identify and task compliance visits. The national average number of visits remains at 12 visits per officer per month. The department is increasingly running national compliance operations focusing on specific areas of abuse; these involve more detailed and more multi-officer visits. This approach is paying dividends in tackling abuse resulting in increased compliance outcomes following a visit.

5.3 Temporary Migration is piloting an agile approach to case work consideration focussed on reducing processing times and improving the customer experience. End to end procedures are being enhanced with some parts of the consideration process front-loaded. The approach allows compliant customers to flow through the process with increased speed, whilst ensuring that support is delivered to those customers who require help.

6: Committee of Public Accounts conclusion

The number of errors made by applicants creates unnecessary burdens on both applicants and the Agency.

Recommendation:

The Agency should ensure that its staff take a consistent and proactive approach to correcting minor errors and omissions; extend the principle of evidential flexibility to applications from employers; and explore options for improving the service provided to sponsors who are willing to pay for it, for example by providing a single caseworker contact.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 UK Visas and Immigration (UKVI) has been set up to have a distinct culture with a firm emphasis on national security and a culture of customer satisfaction for people who come to the UK legally. For example, UKVI offers an enhanced customer service for sponsors that choose to pay an additional fee. Benefits include; named account, and senior, account managers; priority treatment on post-licence casework; monthly management information reports on Confirmation of Acceptance for Studies allocations and outcome of student applications; and student eligibility checks. In July 2012, UKVI launched an Account Management Service pilot for Universities. UKVI received positive feedback from the pilot and formally launched the Tier 4 Sponsor Premium Service in July 2013.

6.3 The department has been using Evidential Flexibility, since 2009, on applications in the UK, and since April 2011 overseas. Evidential flexibility was introduced on sponsor licence applications from April 2011. The principle is now embedded in case working in the UK and overseas.

Thirty Fifth Report

Department of Health

Procurement of consumables by NHS acute and foundation trusts

Summary of the Committee's findings

The 165 NHS acute and Foundation hospital trusts in England spend over £4.6 billion a year on the procurement of medical supplies and other types of consumable goods, dealing with thousands of supplier companies ranging from large multinational corporations to smaller specialist firms. Each trust controls its own purchasing, in line with the Government's strategy to give NHS organisations increasing freedom to operate independently. Foundation Trusts, which now account for more than half of hospital trusts, are independent of the department's control and all trusts are intended to become Foundation Trusts by 2014.

Background resources

- NAO report: *Procurement of consumables by NHS acute and Foundation Trusts* – 2010-12 (HC 705)
- PAC report: *Procurement of consumables by NHS acute and Foundation Trusts* – 2010-12 (HC 875)
- Treasury Minute: July 2012 (Cm 8387)
- Treasury Minute – progress on implementing recommendations: July 2012 (Cm 8387)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8387), 3 recommendations were implemented. 3 recommendations remained work in progress, all of which have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
There is a need for clarity from the department about how it will deliver the necessary improvements in procurement by NHS hospitals when trusts are independent of its control.

Recommendation:
The department has a responsibility to strengthen trusts' accountability to their boards and to the regulators, so that they have the necessary challenge and incentives to secure value for money in procurement. The department should also strengthen the way hospital procurement is supported by national and regional organisations, so it is easier for trusts to make use of this support and so the benefits of doing so are clearer. The department should also spell out clearly how it would deal with outstanding debts to suppliers should a Foundation Trust be declared insolvent.

1.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

1.2 The department has strengthened Trust accountability to regulators through the introduction of the Health and Social Care Act in 2012. The department launched the NHS Procurement Development Programme in August 2013, setting out a challenge to NHS organisations to make efficiency and productivity improvements in excess of £1.5 billion by the end of March 2016.

1.3 The programme includes a range of central interventions to support Trusts in realising these efficiencies, as well as emphasising the need for executive level leadership and challenge on procurement performance. The programme sets out a range of core procurement performance metrics and standards for procurement, that all trusts are expected to adopt.

4: Committee of Public Accounts conclusion
NHS Supply Chain is not demonstrating its value to the NHS.

Recommendation:
The department should review NHS Supply Chain's operations and if necessary revise its contract to provide the incentives to capture aggregated NHS demand. The department should develop plans to make NHS Supply Chain's offer more attractive for trusts; and assess regularly whether NHS Supply Chain is subject to the right level of competitive pressure and monitor this as other intermediary bodies, such as Collaborative Procurement Hubs, develop, rationalise and reform.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The department continually reviews NHS Supply Chain's operations and performance through regular 'joint board' meetings and through the NHS Business Services Authority – Supply Chain management arrangement. Revisions to contractual arrangements have been agreed to avoid perverse incentives, develop the Supply Chain offer, and make this more attractive to Trusts. The Procurement Development Programme, launched in August 2013, further highlights the import role of NHS Supply Chain in delivering efficiency and productivity improvements. Detailed plans are now in place for NHS Supply chain to deliver £150 million savings on procurement of consumables, with Trusts, by end March 2016.

6: Committee of Public Accounts conclusion
There is a risk that, faced with the need to make savings, trusts will not identify procurement savings and will instead cut elsewhere.

Recommendation:
Trusts' boards should set aggressive targets for savings from procurement and should require trusts to demonstrate to their boards, staff and patients that they have delivered the optimum savings from procurement, before front-line staff cuts are considered.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 The department launched the NHS Procurement Development Programme in August 2013, setting out a challenge to NHS organisations to make efficiency and productivity improvements in excess of £1.5 billion by the end of March 2016. This programme emphasises the urgent need for change and for Trusts to set aggressive savings targets from non pay procurement expenditure. These savings will help to alleviate pressure on front line care budgets and support improvements in the quality of care provided.

6.3 A central element of the programme is the improvement of data, information and transparency on procurement in NHS provider organisations, with significant steps to increase the amount of data on procurement performance, spend history, price comparison and benchmarking, that is made publicly available.

Thirty Sixth Report

Department for Business, Innovation and Skills

Regulating financial sustainability in higher education

Summary of the Committee's findings

The HEFCE-funded higher education sector in England comprises 129 Higher Education Institutions, which are autonomous, not-for-profit bodies that received nearly half of their £22 billion income in the 2009-10 academic year from public sources. The Higher Education Funding Council for England provides a third of the sector's income and oversees the financial sustainability of institutions. It is accountable to the Department for Business, Innovation and Skills.

Background resources

- NAO Report: *Regulating financial sustainability in higher education* - Session 2010-12 (HC 816)
- PAC Report: *Regulating financial sustainability in higher education* - Session 2010-12 (HC 914)
- Treasury Minute: July 2011 (Cm 8129)
- Treasury Minute – progress on implementing recommendations: July 2012 (Cm 8387)

Updated Government response to the Committee

There were 7 recommendations in this report. As of the last Treasury Minute (Cm 8387), 5 recommendations were implemented. 2 recommendations remained work in progress, of which 1 has now been implemented, as set out below.

1: Committee of Public Accounts conclusion
From 2012-13 onwards, the change in higher education funding arrangements will require a new system of regulation and accountability.

Recommendation:
The department will need to design and implement a new system of regulation. It will also need to provide new powers to regulate institutions that receive little or no direct public funding but whose students have access to publicly-provided loans.

1.1 The Government agreed with the Committee's recommendation

Recommendation implemented.

1.2 The department has approved an Agreement on Institutional Designation that has been signed by the boards of the three higher education sector representative bodies (AoC, Guild HE and UUK) that represent the Higher Education Funding Council for England (HEFCE) funded higher education providers on behalf of their members.

1.3 This agreement commits these providers to continuing to meet similar conditions as in the existing HEFCE Financial Memorandum (to be known as the Memorandum of Assurance and Accountability from 2014-15) and specifies what HEFCE and the Government may do if these conditions are not met. The department has asked HEFCE to monitor the agreement using the existing processes used to monitor the Financial Memorandum conditions. The agreement comes into force from 1 August 2014 and runs to 31 July 2017.

6: Committee of Public Accounts conclusion
The Committee does not accept the Funding Council's practice of not disclosing which institutions are at higher risk for a three year period.

Recommendation:
The Funding Council needs to strike a different and better balance between the interests of institutions and those of prospective students.

6.1 The Government agreed with the Committee's recommendation.

Target implementation Date: 1 August 2014.

6.2 The department has agreed with the Funding Council that, in the new regulatory system, consideration should be given to a more graduated risk assessment system. Following the Higher Education White Paper, there was a consultation on the new regulatory system. The publication of information relating to risk assessments needs to take into account the interests of current students as well as prospective students.

6.3 At present, the Funding Council does release information about institutions at higher risk if they judge it to be in the public's interest to do so. The Funding Council is currently developing a Register of Higher Education Providers that will enable students, regulators, the Government and the wider public to know the status of providers and the regulatory commitments they have entered into.

Thirty Eighth Report

HM Treasury

Impact of the 2007-08 changes to public service pensions

Summary of the Committee's findings

In 2007-08, new pension schemes were introduced for civil servants, NHS staff and teachers. The changes were in response to Treasury requirements for savings in taxpayer costs to make public service pensions affordable.

Background resources

- NAO Report: *the cost of public service pensions* - Session 2009-2010 (HC 432)
- NAO Report: *the impact of the 2007-08 changes to public service pensions* - Session 2010-2012 (HC 662)
- PAC Report: *the impact of the 2007-08 changes to public service pensions* - Session 2010-2012 HC 833)
- Treasury Minute: September 2011 (Cm 8179)
- Treasury Minute – progress on implementing recommendations: July 2012 (Cm 8387)

Updated Government response to the Committee

There was 1 conclusion and 7 recommendations in this report. As of the last Treasury Minute (Cm 8387), 3 recommendations were implemented. 4 recommendations remained work in progress, all of which have now been implemented, as set out below.

3 and 4: Committee of Public Accounts conclusions

Cost sharing and capping is the change intended to deliver 60% of the projected cost savings over the next 50 years, but it is not yet clear when it will be implemented or in what form. *There is no measure defining an affordable level of expenditure on public service pensions, against which actual costs can be compared.*

Recommendations:

3. *The Treasury should publish its timetable for implementing cost sharing and capping or an alternative scheme, as well as the expected cost savings.*

4. The Treasury should set out what it believes is an affordable level of spending so it can assess the cost of public service pensions against a clear benchmark.

3.1 The Government agreed with the Committee's recommendations.

Recommendations implemented.

3.2 The Government set out its proposed reform of public service pensions in *Good Pensions that Last* in November 2011, which followed discussions with the public service trades unions in 2011. Proposed Final Agreements, setting out the reforms, were published for all of the main public service schemes. In line with the recommendations of Lord Hutton, these Proposed Final Agreements set out the Government's intention to introduce an employer cost cap as a proportion of pensionable pay, to ensure the sharing of risks between members and employers, and to provide backstop protection for the taxpayer.

3.3 The Government has now brought forward legislation, the Public Service Pensions Act 2013, to provide for the reformed pension schemes. This includes provision for an employer cost cap mechanism to be established in the reformed schemes. The Act requires all new schemes, made under that Act, set a cost cap in scheme regulations, expressed as a percentage of pensionable pay.

3.4 The Act also provides for Treasury regulations to set the size of the margins around the cost cap – these margins will form a ceiling and floor above and below the cost cap. If costs move beyond the ceiling or the floor, Treasury regulations will specify the level to which costs will be returned. The Act requires that scheme regulations make provision for a procedure for the responsible authority to reach agreement with employers and members (or their representatives) as to the changes that will be made to achieve the necessary changes in scheme costs, and for a default action to be taken if agreement cannot be reached.

3.5 Treasury regulations have now been made using these powers and laid before Parliament (SI 2014/575). These regulations provide for margins of two percentage points around the level of the cost cap, and, if the costs of the schemes move beyond these margins, for the costs to be returned to the level of the cost cap. Treasury Directions,[4] also made under the Act, provide the detail on how the level of the cap is to be calculated by scheme actuaries.

3.6 The actuarial work necessary to set the level of the cost cap for each scheme is underway, and these cost caps will be included in the scheme regulations, when the new schemes are introduced in 2015. The cost of the scheme will be compared against the level of the cost cap at future valuations (every four years in the unfunded schemes, and every three years in the funded local government scheme).

5: Committee of Public Accounts conclusion

Employees are not given the information they need to understand the value of their pensions.

Recommendation:

The Treasury should work with employers and pension schemes to ensure clear and relevant information is provided to employees on the value of their pensions, and that this information is regularly updated and its usefulness to staff assessed.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 Under the Public Service Pensions Act, new requirements are being introduced, which will mean that all members of the new 2015 public service pension schemes will receive annual benefit statements setting out their pension entitlements. Flexibility has been built into the Act, and the secondary legislation, which accompanies it, will allow these schemes to provide this information in the most appropriate way and use the most appropriate media – for example: through websites and email. However, paper-based options will continue to be available for those members who prefer to receive their statements in this way.

5.3 The Pensions Regulator will have a new responsibility for ensuring that the Schemes are complying fully with the provisions of the Act in this area and will keep this under regular review.

8: Committee of Public Accounts conclusion

Further reforms expected in the near future present the opportunity for the Government to determine a stable, long-term direction for public service pensions.

Recommendation:

The Treasury should set out clear objectives for any further changes, develop consensus around those changes and put in place arrangements to monitor progress. It should then aim for a period of stability so that employees' confidence in the value of their pensions is not undermined by fears that further changes will be made.

8.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

8.2 The Government set out its proposed reform of public service pensions in *Good Pensions that Last* in November 2011, which followed discussions with the public service trades unions in 2011. The Government set out its preferred scheme design, as the basis on which scheme specific discussions took place, and legislated for these changes through the Public Services Pension Act 2013, which received Royal Assent on 25 April 2013.

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[4] https://www.gov.uk/government/publications/public-service-pensions-actuarial-valuations-and-the-employer-cost-cap-mechanism

8.3 The Chief Secretary to the Treasury addressed Parliament on 2 November 2011 and stated that no changes to scheme design, benefits or contribution rates should be necessary for 25 years outside the processes agreed for the cost cap.

8.4 The Act defines protected elements of schemes, specifically the extent to which the scheme is a career average re-valued earnings scheme; member's contribution rates; and, benefit accrual rates. Should further change be considered necessary before the end of the protected period (31 March 2040), the Act requires that Government consult with a view to reaching agreement on changes with those persons likely to be affected by the changes. Additionally, the Act requires a report must be laid before Parliament, the Scottish Parliament or the National Assembly for Wales, which gives due consideration to the desirability of not making the proposed changes.

Thirty Ninth Report

Department for Transport

Intercity East Coast passenger rail franchise

Summary of the Committee's findings

Since the mid 1990s, passenger rail services have been delivered through a system of franchises. Each franchise is a competitively procured contract, typically lasting seven to ten years, between the Department for Transport and a private train operating company. Companies bid for franchises on the basis of the amount of subsidy they require, or the premium they would be prepared to pay, to run services on a defined part of the rail network. Bids include each company's forecast of what revenue they can expect, based on assumptions about the number and type of passenger journeys and the prices they can charge.

Background resources

- NAO Report: *InterCity East Coast passenger rail franchise* - Session 2009-2010 (HC 824)
- PAC Report: *InterCity East Coast passenger rail franchise* - Session 2010-2012 (HC 1035)
- Treasury Minute: September 2011 (Cm 8179)
- Treasury Minute – progress on implementing recommendations: July 2012 (Cm 8387)

Updated Government response to the Committee

There were 7 recommendations in this report. As of the last Treasury Minute (Cm 8387), 4 recommendations were implemented and the department disagreed with 2 recommendations. 1 recommendation remains work in progress, as set out below.

6: Committee of Public Accounts conclusion
Following a period of deterioration, punctuality on the line is now beginning to improve and investments are being made in new technology, fleet maintenance and customer service.

Recommendation:
The investment of taxpayers' money while the franchise has been in public ownership should help to secure a good deal when it is retendered to the private sector in 2012. The Committee expects the department to ensure that this investment is fully recovered.

6.1 The Government partially agreed with the Committee's recommendation.

Target implementation date: March 2015.

6.2 Ultimately the value of most investments made in the current franchise has a business case that pays off in the current franchise and the benefits are realised through the revenue line. Any longer term benefits that may arise from Government ownership would be realised in a new franchise through the premiums received from the franchise competition. The new franchise is expected to start in March 2015.

Fortieth Report

Cabinet Office

Information and Communications Technology in Government

Summary of the Committee's findings

Information and Communications Technology (ICT) has the power to transform public services and generate efficiencies. While the history of ICT in Government has included some successful projects, there have been far too many expensive and regrettable failures. ICT is not well enough embedded in departments' business, and as a result not enough reform programmes have had ICT at the core. Problems have arisen where expectations for systems are too grand and the proposals from suppliers are unrealistic. Projects have been too big, too long, too ambitious and out of date by the time the ICT is implemented.

Background resources

- NAO report: *Information and Communications Technology in Government: Landscape Review* Session 2010-12 (HC 757)
- PAC report: *Information and Communications Technology in Government* - Session 2010-12 (HC 1050)
- Treasury Minute: September 2011 (Cm 8179)
- Treasury Minute – progress on implementing recommendations: July 2012 (Cm 8387)

Updated Government response to the Committee

There was 1 conclusion and 8 recommendations in this report. As of the last Treasury Minute (Cm 8387), 3 recommendations were implemented. 5 recommendations remained work in progress, of which 4 have now been implemented, as set out below.

3: Committee of Public Accounts conclusion

The Strategy cannot be delivered by the Cabinet Office alone – its successful implementation relies on its new principles being adopted across the Government ICT and supplier communities, Chief Information Officers and by policy makers in the wider civil service.

Recommendation:

To be effective and successfully deliver its strategy for ICT and major projects, ERG should use its new powers selectively and be able to demonstrate that it has achieved buy-in from departments and suppliers.

3.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

3.2 The cross-government Technology Leaders Network owns the delivery of technology across Government. The Cabinet Office works with departments on the best way to deliver technology and proactively engages with suppliers, new and existing. The IT controls process remains important and helped save £500 million in 2012-2013 against a 2009-2010 baseline.

6: Committee of Public Accounts conclusion

The Government plans to move more public services online and, rightly, to stress the importance of designing services around the needs of the user. However, approximately nine million people have never used the Internet, and they must not be excluded.

Recommendation:

ERG and other relevant departments should withhold sign-off of additional online services until they are satisfied that the service is designed for users. ERG should also continue to ensure that online services are accessible through libraries, post offices or other alternative means. When new services are launched, these alternatives should be well publicised.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 All new and redesigned services must now comply with the Digital by Default Service Standard, which includes requirements for assisted digital provision. Service assessments are published on the Government Digital Service data blog.

7: Committee of Public Accounts conclusion

The Strategy only makes one reference to cyber-security. This is particularly concerning given the move to more government services online.

Recommendation:

ERG should clarify in its implementation plan how cyber security will be integrated into its strategy for ICT.

7.1 The Government agreed with the Committee's recommendation.

Target implementation date: March 2015.

7.2 The Cabinet Office published the National Cyber Security Strategy[5] and is delivering this through the National Cyber Security programme (NCSP). In this spending review period, £860 million has been allocated to the programme and progress and forward plans have been published annually.[6] The NCSP has funded work to improve the cyber security of both public and private networks, raise awareness and promote good practice[7] and to examine the dependence of UK critical infrastructure on the internet to identify potential security or resilience vulnerabilities.

7.3 To ensure that Government departments and agencies manage the transition to new technologies securely, the Government Security Secretariat is working closely with CESG (the technical arm of GCHQ) and the Government Digital Service on major security reforms. This includes updating the Government Classification Scheme[8], the Government Security Policy framework[9] and the development, and publication, of security best practice guidance on all major operating systems (including those on mobile devices) and cloud services published on GOV.UK.[10]

8: Committee of Public Accounts conclusion

Government has not yet assessed the number of ICT people it has or the capacity and skills it will need in the future.

Recommendation:

In preparing its Capability Strategy for ICT, ERG should establish the size and capability of the existing government ICT workforce, including the number of cyber-security professionals, and build a model to help predict future demand.

8.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

8.2 The size and capability of the ICT workforce was published in the ICT capability review in November 2011.

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5 www.gov.uk/government/publications/cyber0-security-strategy

6 Year one: www.gov.uk/government/publications/uk-cyber-security-strategy-1-year-on--3
Year two: www.gov.uk/government/publications/national-cyber-security-strategy-2-years-on

7 www.gov.uk/government/publications/cyber-risk-management-a-board-level-responsibility

8 www.gov.uk/government/publications/government-security-classifications

9 www.gov.uk/government/publications/security-policy-framework

10 www.gov.uk/government/collections/end-user-devices-security-guidance

9: Committee of Public Accounts conclusion

There are no proposals in the Strategy to address the longstanding problems of high turnover of Senior Responsible Owners, their lack of experience and their lack of accountability.

Recommendation:

ERG should make proposals to keep SROs in post for longer where possible, and raise and maintain their level of skills, in line with the Government's advice on accountability. The identity of SROs should be available on departmental websites, along with their dates of appointment.

9.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

9.2 MPA has developed guidance for the remit, tenure, reward and process of appointment of Project Leaders. This includes setting out how the MPA will be involved in this process. The MPLA is on track to have all eligible GMPP project leaders enrolled onto the programme by the end of 2014.Changes in Project Leaders are tracked on a quarterly basis and the reasons for movement are tracked to enable checking and follow up. MPA will discuss with departments how to ensure the identity of the SROs of Major Projects is made available on departmental websites, along with their dates of appointment.

Forty First Report
Department for Transport
Regulating Network Rails efficiency

Summary of the Committee's findings

The Office of Rail Regulation is the independent economic and safety regulator of the rail industry in England, Scotland and Wales. The Regulator's duties include promoting economy and efficiency in the rail industry with much of its work focusing on Network Rail, the owner and monopoly provider of the national rail network, including track, signalling and stations.

Background resources

- NAO Report: *Office of Rail Regulation, Regulating Network Rail's efficiency* - Session 2010-2012 (HC 828)
- PAC Report: *Office of Rail Regulation, Regulating Network Rail's efficiency* - Session 2010-2012 (HC 1036)
- Treasury Minute: September 2011 (Cm 8179)
- Treasury Minute – progress on implementing recommendations: July 2012 (Cm 8387)

Updated Government response to the Committee

There were 11 recommendations in this report. As of the last Treasury Minute (Cm 8387), 3 recommendations were implemented and the department disagreed with 2 recommendations. 6 recommendations remained work in progress, of which 1 has now been implemented, as set out below.

1: Committee of Public Accounts conclusion
The sanctions and incentives on Network Rail, in particular penalties and bonuses, have not been effective in driving the company's efficiency.

Recommendation:
The Regulator should put in place a more robust performance management system and the department should review the Regulator's powers. As part of this, the Regulator's assessment of Network Rail's performance should directly inform the level of bonuses paid to its executives.

1.1 The Regulator partially agreed with the Committee's recommendation.

Target implementation date: May 2015.

1.2 Since establishing its three objectives for Network Rail's Management Incentive Plan (MIP) in March 2011, ORR has had a number of discussions with Network Rail to ensure that the MIP that the company was intending to put in place complied with these objectives. From these discussions, Network Rail made a number of changes to its proposed MIP:

- to set out its value for money case for its remuneration arrangements;
- to sharpen the definition of the calculation of the long term bonus (gain share plan);
- to clarify that the company's remuneration committee will take account of ORR's annual assessment; and
- that a catastrophic safety failure could result in no bonus award.

1.3 ORR agrees that having a robust performance management system in place for Network Rail is of crucial importance. ORR also recognises that improvements can be made and will look to refine its approach to achieve this.

2: Committee of Public Accounts conclusion

The Regulator's allowance for inflation in Network Rail's financial settlement is too generous, reducing the pressure to drive down costs.

Recommendation:

The Regulator should adopt a more sophisticated and rigorous approach to setting inflation assumptions in its next financial settlement in 2013. In doing so, it should clearly demonstrate that it has taken account of National Rail's ability to control its costs.

2.1 The Regulator agreed with the Committee's recommendation.

Target implementation date: May 2015.

2.2 In its Advice to the Secretary of State on Network Rail's costs and funding in CP5, published on 15 March 2012, ORR has confirmed that it would be consulting further on its approach to the treatment of inflation and input prices in August 2012, as part of the 2013 Periodic Review (PR13) process. PR13 determines Network Rail funding and what it is required to deliver in the Control Period between 2014-19.

3: Committee of Public Accounts conclusion

The Committee is not convinced that the Regulator can distinguish between genuine efficiency savings and the deferral of work which simply increases costs in the future.

Recommendation:

The Regulator must work with Network Rail to obtain robust evidence, including data on track usage and condition, to enable it to judge whether deferring maintenance work on this scale is efficient, sustainable and safe. The Regulator should publish the evidence that supports its judgement.

3.1 The Regulator agreed with the Committee's recommendation.

Target implementation date: May 2015.

3.2 In its annual assessment of Network Rail's finance and efficiency, published in September 2011, ORR did not accept the company's own reported assessment of its efficiency in 2010-11. The company considered it had achieved 12.8%. However, ORR was not satisfied with the evidence base for this and carried out further work to verify the efficiencies achieved, which concluded July 2012.

4: Committee of Public Accounts conclusion

The reasons for the gap between Network Rail's efficiency and that of the most efficient European operators are not fully understood.

Recommendation:

The Regulator should improve its understanding of how much is attributable to different factors. The Regulator should publish the results of this analysis in its next Periodic Review in 2013, setting out timescales and the extent to which it expects those factors can be addressed by Network Rail.

4.1 The Regulator partially agreed with the Committee's recommendation.

Target implementation date: May 2015.

4.2 As part of the PR13 process, the ORR commissioned further international comparisons to better understand and explain the efficiency gap between Network Rail and European rail operators. Some of this work has informed the ORR's Advice to the Secretary of State on Network Rail's costs and outputs in CP5, published on 15 March 2012, which highlighted that the ORR considers there is potential scope for greater efficiency improvement in CP5 than Network Rail considers possible at this stage of the PR13 process.

5: Committee of Public Accounts conclusion
Network Rail told the Committee that punctuality could not be improved to 95% in five years' time without making trade-offs with efficiency and capacity.

Recommendation:
The department, in preparing for the next regulatory settlement in 2013, should publish what it realistically expects can be achieved in terms of efficiency, capacity and punctuality, noting how it has assessed the trade-offs between them.

5.1 The Regulator partially agreed with the Committee's recommendation.

Target implementation date: May 2015.

5.2 The Government will publish a *High level Output Specification* and a *Statement of Funds Available* by July 2012. This will set out the level of performance the department expects the railway to achieve during the period 2014-19, and will take a view what can be achieved in terms of capacity, safety and reliability within a determined funding envelope. The Government's March 2012 Command Paper has already set out the level of savings it wants to see from the railway by 2019.

10: Committee of Public Accounts conclusion
The internal operations of Network Rail are not transparent.

Recommendation:
The department and the Regulator should ensure that Network Rail is subject to the same transparency requirements as public bodies, with full application of the provisions of the Freedom of Information Act.

10.1 The Government partially agreed with the Committee's recommendation.

Recommendation implemented.

10.2 Network Rail recognises that being more transparent will help it to become a more efficient and responsive organisation, and make it more accountable to its stakeholders. Network Rail has made a start by publishing this information on its website – for example: details about level crossings, executive directors' expenses and a breakdown of annual company expenditure. However, it recognises that there is more to do and remains committed to making transparency part of its day to day business.

Forty Second Report

Department for Education

Getting value for money from the education of 16-18 year olds

Summary of the Committee's findings

In 2009, over 1.6 million 16- to 18-year-olds participated in some form of education and training at a cost of over £6 billion. Most of these young people studied full-time for Level 3 qualifications (such as A levels or National Vocational Qualifications) at a general further education college, sixth form college or school sixth form. The Government's approach is to encourage choice and quality of education through a market of providers. Young people choose where they want to study, subject to entry criteria, with funding following the student.

Background resources

- NAO report: *Getting value for money from the education of 16- to 18-year-olds* - Session 2010-12 (HC 823)
- PAC report: *Getting value for money from the education of 16- to 18-year-olds* - Session 2010-12 (HC 1116)
- Treasury Minute: October 2011 (Cm 8212)
- Treasury Minute – progress on implementing recommendations: February 2013 (Cm 8539)

Updated Government response to the Committee

There was 1 conclusion and 7 recommendations in this report. As of the last Treasury Minute (Cm 8539), 1 recommendation was implemented and the department disagreed with 1 recommendation. 5 recommendations remained work in progress, of which 3 have now been implemented, as set out below.

3: Committee of Public Accounts conclusion
Local authorities have a duty to secure provision, but they lack an effective means to influence providers

Recommendation:
The department emphasises the duty and important role of local authorities. However, local authorities have limited powers and the effectiveness of their engagement with the sector varies. The department must address this issue so that those with obligations are able to enact those obligations effectively.

3.1 The Government partly agreed with the Committee's recommendation.

Recommendation implemented.

3.2 Local authorities have a key role in making a reality of the commitment to raise the age of compulsory participation in education or training to age 17 in 2013 (now in place) and age 18 in 2015. The department is working in partnership with the Local Government Association and the Association of Directors of Children's Services to ensure local authorities and their partners have access to appropriate support to help them to deliver their statutory duties.

3.3 The Education Funding Agency's (EFA's) *Guidance for local authorities: Funding 16–19 education and training* sets out local authorities' important strategic role in securing education and training for young people, including filling gaps. The EFA also provides local authorities with information on young people's participation in education and training in their area. This information was published in December 2013, with an update to be published in July 2014.

5: Committee of Public Accounts conclusion

Smaller providers can best provide choice and realise economies of scale by collaborating, yet the incentives to collaborate are weak.

Recommendation:

The department should promote the benefits of effective collaboration between providers, and address anomalies between the way providers are configured and how their performance is assessed.

5.1 The Government partly agreed with the Committee's recommendation.

Recommendation implemented.

5.2 Given the importance of sixth form colleges (SFCs) to help transform education, the department has been promoting and building a strengthened strategic and operational relationship between the Government and the sector. The National Leader of Education and Teaching School status is now open to SFCs and SFC principals. The department is also talking to the Sixth Form Colleges' Association about how SFCs can support the Government's programmes to reform academic and vocational qualifications and improve the teaching of mathematics and English within the further education workforce, and become more involved in academy sponsorship and the Teach First programmes.

5.3 In terms of how performance is assessed through inspection, the 2012 changes to the school inspection framework and the common inspection framework has introduced similar judgements for 16-19 provision in both schools and the further education sector.

6: Committee of Public Accounts conclusion

Information to measure the performance of providers is not comparable, making it difficult to assess the value for money they offer and inhibiting the operation of a market driven by student choice.

Recommendation:

The department should require all providers to compile and publish comparable performance information to support the assessment of value for money. The information should be sufficient for prospective students to use in choosing the right course, thereby improving student engagement and retention.

6.1 The Government partly agreed with the Committee's recommendation.

Target implementation date: January 2017.

6.2 The 16-19 accountability consultation document, published on 12 September 2013, proposed publishing clearer and more reliable information for students and parents. The government response to the 16-19 accountability consultation, published on 27 March 2014[11], set out plans to publish more comprehensive performance information through 2016 performance tables to aid student choice. Furthermore it committed to requiring all 16-19 providers to publish the five headline performance measures (progress, attainment, progress in English and maths, retention and destinations) in a standard format on their websites.

7: Committee of Public Accounts conclusion

There is a lack of clarity about when and how the department requires intervention in the event of failure.

Recommendation:

The department should clarify how it will address failing providers, whether they are school sixth forms or colleges, and the criteria that will determine the extent and timing of intervention.

7.1 The Government agreed with the Committee's recommendation.

[11] 16 to 19 accountability consultation - Consultations - GOV.UK

Recommendation implemented.

7.2 The criteria for identifying failing 16-19 providers was published on the departments website in the December 2012 publication *16-19 accountability – Children and young people*.[12] This clarifies that there are three triggers for intervention action:

- Receiving an overall Ofsted judgment of inadequate;
- Falling below the National Minimum Standard set each year; and
- Poor financial health and control.

7.3 In addition, the department and the Department for Business, innovation and Skills published *Rigour and Responsiveness in Skills*[13] in April 2013. This sets out the rapid and responsive intervention action that will be taken against further education and sixth form colleges and other training providers, if they fall within one of the three triggers. Intervention action in schools will follow the academy programme model.

8: Committee of Public Accounts conclusion

The department has indicated that it believes that, by definition, it is better value for money to spend less on a replacement for the Educational Maintenance Allowance scheme, targeting it and removing deadweight costs.

Recommendation:

The allowance is to be replaced in the 2011-12 academic year by a £180 million bursary scheme, which will be administered by providers. As the department develops its implementation plan for this policy change, it must assess the impact on participation, particularly for disadvantaged young people, and the burden on providers of managing the changes, including the costs of administration.

8.1 The Government agreed with the Committee's recommendation.

Target implementation date: March 2015.

8.2 The second report[14] of the independent evaluation of the Bursary Fund process was published in April 2014, along with the interim impact evaluation report. The second year report indicates that the majority of providers surveyed thought that the Bursary Fund was having a positive impact on young people's participation (77%) and engagement in learning (70%). 78% thought it was effective in targeting young people facing the greatest barriers to participation. These percentages are higher than in the first report. The flexibility of the Bursary Fund continues to be seen as its major asset.

8.3 The interim impact evaluation shows that since the policy reform participation by 16- to 18-year-olds has slightly reduced, with those who would have qualified for maximum Education Maintenance Allowance seeing the greatest reduction of 1.75 percentage points for Year 13 full time students. Both process and impact evaluations will report finally by March 2015.

[12] http://education.gov.uk/childrenandyoungpeople/youngpeople/participation/b00218198/16-19-accountability
[13] https://www.gov.uk/government/publications/rigour-and-responsiveness-in-skills
[14] https://www.gov.uk/government/publications/evaluation-of-the-16-to-19-bursary-fund-year-1-report

Forty Third Report

Ministry of Defence

The use of information to manage the defence logistics supply chain

Summary of the Committee's findings

The Ministry of Defence sends supplies to forces deployed overseas for military operations, such as in Afghanistan and Libya, and to personnel stationed in permanent bases or taking part in training exercises. Staff deployed on operations determines what supplies are needed by front line troops, which are then sent to them through a supply chain that stretches back to manufacturers. The department spent at least £347 million in 2010-11 on transporting supplies overseas, but this underestimates the full cost as the cost of military supply flights is not included. Some 130,300 individual deliveries were made to Afghanistan alone in 2010.

Background resources

- NAO report: *The use of information to manage the defence logistics supply chain* - Session 2010-12 (HC 827)
- PAC report: *The use of information to manage the defence logistics supply chain* - Session 2010-12 (HC 1202)
- Treasury Minute: October 2011 (Cm 8212)
- Treasury Minute – progress on implementing recommendations: February 2013 (Cm 8539)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8539), 1 recommendation was no longer being implemented. 5 recommendations remained work in progress, of which 2 have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
The department has put a low emphasis on value for money in managing its supply chain.

Recommendation:
The department should implement measures to capture the full cost of its supply operations, quantify the full range of potential savings it could make, and take the actions necessary to manage the supply chain more cost-effectively.

1.1 The Government partly agreed with the Committee's recommendation**.**

Target implementation date: December 2015.

1.2 The department acknowledges that the costs of its logistics operations need to be understood and used to make value for money decisions for subsequent audit purposes. The drawdown from Op ELLAMY (Libya) proved that costs can be controlled and that a plan can be optimised against a challenging financial limit of liability. This same ethos will be rigorously applied to Op HERRICK Redeployment as well as wider training and operational support activities. Further, enhanced logistic information capability will deliver incremental improvements by 2015. The new systems will enable better decision making by providing greater end to end visibility of materiel in the supply chain, improved management information, and greater integration with financial systems.

1.3 Two organisations were established in August 2011 to provide greater focus on key elements of the Defence Support Network. One focuses on improved management of the Defence Inventory, now called the Inventory Management Operating Centre (IMOC), and the other, the Logistics Commodities and Services (LCS) Operating Centre, with the provision of commodity procurement and the storage and distribution of 'non-explosive' products to the Armed Forces. LCS is also undertaking the task of transforming how these services are delivered, with an aim to deliver a solution that ensures military supply in the medium to long term, whilst providing better value for money to the department.

2: Committee of Public Accounts conclusion

The department has made little progress in resolving long-standing problems with its supply chain information, despite previous assurances to the Committee.

Recommendation:

Past plans to upgrade these systems have come to nothing as the department has focused on other priorities. To ensure progress is made this time, the Committee will hold the department to its promise to report back to the Committee on progress in six and twelve months' time.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2015 (MJDI). December 2016 (BIWMS (in the Air Domain)).

2.2 Management of the Joint Deployed Inventory (MJDI) is now in-service having achieved roll-out to 95% of Units (the roll-out to Maritime Afloat to be complete by April 2015). The scope of the programme was much greater and more complex than originally envisaged. Some aspects have therefore taken longer than expected to roll-out. Others – such as deploying the capability forward into Theatre – have been achieved ahead of time. The roll-out of Joint Asset Management and Engineering Solutions (JAMES) to the user base, as defined within the department's endorsed Joint Fielding Plan, remains scheduled for completion by end 2014. Both applications greatly enhance visibility and management information relating to the Defence Inventory.

2.3 The Base Inventory and Warehouse Management Services (BIWMS) project is approved for roll-out to the Air domain, with Initial Operating Capability expected to be achieved by June 2016. The replacement of inventory systems for Land, Maritime and Munitions was rejected in December 2013 on commercial grounds and, on the back of a review of future Information Systems (IS) requirements a longer term 'enterprise' view has been adopted.

2.4 Thus, a new phase of activity, based on evaluation and programme requirements definition, in a model office test environment, is now being initiated. A proposal for the future end-to-end support chain solution – incorporating the Future Logistics Information Services capability – will be developed, subject to funding and approvals and selection of a suitable delivery partner, with target Initial Operating Capability during 2018-19.

3: Committee of Public Accounts conclusion

The department does not know the full cost of its supply chain routes.

Recommendation:

The department should collect comprehensive information on the cost of all potential supply routes and use this information to identify the most cost-effective routes for both urgent and lower priority deliveries.

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

Recommendation implemented.

3.2 A single recognised defence database of transport costs has been established. All relevant departmental stakeholders have access and are responsible for reporting any changes in their area, which impact upon costs. A Transport Cost Comparator IT Tool was introduced in May 2012 in order to provide cost comparisons, when developing Lines of Communications in support of operations and training. It will provide evidence that costs are included within the transport allocation decision making process.

3.3 A Supply Chain modelling tool has captured the costs associated with different supply routes and methods of delivery. This is being used to support the Op HERRICK Drawdown Plan and work is underway to fully exploit this tool on a routine basis. The process begins with the Operational Planning Group (Redeployment), which examines the cost of each consignment including its replacement cost, and determines whether it should be redeployed or disposed. If the decision is to redeploy, then a logistics commodity is recommended based on value for money. Decisions are recorded in the e-Compendium database - a bespoke product designed to capture an audit trail and ensure good order in decision making.

4: Committee of Public Accounts conclusion
Deliveries for operations in Afghanistan are often late due to delays in receiving goods from suppliers.

Recommendation:
The department should set the terms of its contracts with suppliers so that manufacturers are better incentivised to deliver supplies in good time.

4.1 The Government partially agreed with the Committee's recommendation.

Target implementation date: December 2015.

4.2 Work continues to review the effectiveness of the department's commercial arrangements, to identify best practice and seek ways to embed this into the business in order to improve and better incentivise suppliers. This includes a review of standard terms and conditions to ensure the provision by contractors of adequate information to meet the requirements of the department's annual accounts, the Treasury control framework and to ensure appropriate use of, and compliance with, departmental inventory systems and processes.

4.3 Inventory Management Transformation (IMT) project is beginning to address the above recommendation in conjunction with the ongoing Logistics Commodities and Services Transformation (LCS(T)) project. The commercial model being developed under LCS(T) includes mechanisms to incentivise and maximise the efficiency and cost-effectiveness of the supply chain. The project remains on track to deliver its Main Gate Business Case towards the end of 2014.

5: Committee of Public Accounts conclusion
The department often holds large stockpiles of supplies on operations, which results in some supplies deteriorating before they are used.

Recommendation:
The department should measure the condition of stocks in theatre and their deterioration rates to inform decisions about appropriate stock levels.

5.1 The Government partially agreed with the Committee's recommendation.

Recommendation implemented.

5.2 Major IS applications, Management of the Joint Deployed Inventory (MJDI) and Joint Asset Management Engineering Solution (JAMES), are employed in theatre and the global view provided ensures that stocks are sufficient to support current operations and that excessive stocks are not built up (when supply chain pipeline times are taken into account).

5.3 MJDI is able to track losses and items lost or damaged in transit, which may be recorded via Discrepancy Reports or Materiel Loss Codes. Theatre holdings have been, and continue to be, closely monitored through the e-Compendium and the Control Tower tools, during the redeployment from Op HERRICK. Currently 93% of stock held in Theatre has a return or disposal decision flag attached to them for Theatre action once the item becomes surplus to the operational requirement.

5.4 The Permanent Joint Headquarters (PJHQ) routinely review the Sustainability Statement (SUSTAT), which sets the required inventory levels to be held in theatre balanced against the risk of delays, damage, depreciation and the impact of Redeployment from op HERRICK. This ensures that the department does not over insure against that risk.

Forty Fifth Report

Department of Health

National Programme for IT in the NHS: an update on the delivery of detailed care records systems

Summary of the Committee's findings

The National Programme for IT in the NHS was an ambitious £11.4 billion programme of investment designed to reform how the NHS in England uses information to improve services and patient care. The Programme was launched in 2002, and the Department of Health has spent some £6.4 billion on the Programme so far. This report is concerned with a central part of the Programme, where the aim was to create a fully integrated electronic care records system, which is expected to cost around £7 billion in total.

The original objective was to ensure every NHS patient had an individual electronic care record which could be rapidly transmitted between different parts of the NHS, in order to make accurate patient records available to NHS staff at all times.

Background resources

- NAO report: *The National Programme for IT in the NHS: an update on the delivery of detailed care records systems* - Session 2010-12 (HC 888)
- PAC report: *The National Programme for IT in the NHS: an update on the delivery of detailed care records systems* - Session 2010-12 (HC 1070)
- Treasury Minute: October 2011 (Cm 8212)
- Treasury Minute – progress on implementing recommendations: February 2013 (Cm 8539)

Updated Government response to the Committee

There were 7 recommendations in this report. As of the last Treasury Minute (Cm 8539), 3 recommendations were implemented. 4 recommendations remained work in progress, all of which have now been implemented, as set out below.

2: Committee of Public Accounts conclusion
There has been a substantial reduction in how many NHS bodies will receive new systems, but the department failed to secure a comparable reduction in costs.

Recommendation:
Given the department's failure to secure a good deal in its contract renegotiation with BT, and its weak position with CSC, it is essential that the Major Projects Authority now exercises very close scrutiny over the department's continuing negotiations with CSC, and that the Government gives serious consideration to whether CSC has proved itself fit to tender for other Government work.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 The department has worked with the Major Projects Authority, Cabinet Office and the Treasury to reach an agreement with CSC that covers all issues of substance and that represents value for money for the taxpayer. The department's efforts have focused on renegotiations with CSC to secure best value for the delivery of the Lorenzo patient administrative system software to the NHS. A revised project agreement between the department and CSC was signed on 4 October 2013, which confirmed the revised arrangements to deliver a reduction of over £1 billion on the contractual commitment to CSC.

4: Committee of Public Accounts conclusion
The Committee is concerned at the lack of evidence of risk management of security issues, which may arise as a result of medical records being held electronically.

Recommendation:
The department must address possible compromises in data security.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The Health and Social Care Act 2012, which came into force on 1 April 2013, will improve information security as a shared responsibility between the department, NHS England, the Health and Social Care Information Centre (HSCIC) and the Care Quality Commission (CQC).

4.3 The newly established Information Governance Alliance, bringing together information governance expertise and oversight from the department, HSCIC and NHS England, will support and drive information governance improvements. Centrally required action is commissioned and agreed through the National Information Board, with membership from the department, NHS England, CQC, and all key regulatory bodies. Supporting groups provide a leadership focus for information governance and information risk management.

4.4 NHS bodies, which are each legally responsible for their own data security, have been given clear guidelines on what is required. NHS Trusts have reported compliance against key information security requirements, as published in the departments *Information Governance Toolkit*. Data security requires constant vigilance and work will continue to drive improvements.

4.5 In June 2014, the Secretary of State asked the HSCIC to take a leading role in ensuring that patient data is kept and treated securely across the health and social care system. The HSCIC has developed a five point plan to ensure that all health and social care professionals and the organisations they work for, recognise and implement their responsibilities for keeping and using patient data securely and safely.

6: Committee of Public Accounts conclusion
NHS trusts will take over responsibility for care records systems from 2015-16, but they do not currently have the information they need about potential future costs.

Recommendation:
The department should write to every NHS Trust making clear the detailed implications of their future responsibilities for care record systems, and in particular the financial liability to which each trust will be exposed.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 *Informatics: The future - An organisational summary* (July 2012) set out a series of detailed recommendations to ensure clear accountability from 1 April 2013, and ensures that the department works with Trusts. A full-time Senior Responsible Owner was appointed in April 2013 to oversee the LSP programmes and contracts. Central exit programmes and teams are in place and all LSP service recipients have been contacted to confirm their plans to secure service continuity after the contracts expire**.**

6.3 Trusts in London and the South (covered by the BT LSP contract) have commenced procurement of their replacement systems. The department is working with them to plan and manage the exit. Trusts in the North, Midlands and East, covered by the CSC LSP contracts, are starting to plan their exit. In 2013-14, the department launched the Safer Hospital Safer Wards fund, which provided capital support for local provider trusts to enhance their capability to deliver interoperable patient care records and electronic prescribing.

6.4 The £250 million central funding was matched by local investment. The second tranche of funding in 2014-15 will target resources on technology to support integration. The benefits of this investment for quality of care, safety and efficiency will be tracked and reported by the department.

7: Committee of Public Accounts conclusion

It is unacceptable that the department has neglected its duty to provide timely and reliable information to make possible Parliament's scrutiny of this project.

Recommendation:

The department must provide timely and reliable information in future to support effective accountability to Parliament.

7.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

7.2 The department is working with the NAO to ensure more timely sharing of information. For example: the department worked with the NAO during the development of the *Final benefits statement for programmes previously managed under the National Programme for IT*, with meetings at senior level taking place between the department's NHS Informatics Directorate and the NAO. This document was published on the gov.uk website in June 2013 - the NAO published a review of the statement during summer 2013.

Forty Sixth Report
Department of Health
Transforming NHS Ambulance Services

Summary of the Committee's findings

Ambulance services provide a valuable service that is held in high regard. 11 regional ambulance services operate across England. In 2009-10, they handled 7.9 million emergency calls, and spent £1.5 billion on urgent and emergency services. Ambulance services are expected to make 4% efficiency savings year-on-year, in line with the rest of the NHS, at a time when public demand for their services continues to rise.

Background resources

- NAO report: *Transforming NHS ambulance services* - Session 2010-12 (HC 1086)
- PAC report: *Transforming NHS ambulance services* - Session 2010-12 (HC 1351)
- Treasury Minute: December 2011 (Cm 8244)
- Treasury Minute – progress on implementing recommendations: February 2013 (Cm 8539)

Updated Government response to the Committee

There were 1 conclusion and 6 recommendations in this report. As of the last Treasury Minute (Cm 8539), 4 recommendations were implemented. 2 recommendations remained work in progress, all of which have now been implemented, as set out below.

6: Committee of Public Accounts conclusion
Delays in handing over patients from ambulances to hospitals lead to poor patient experience and reduced capacity in ambulance services.

Recommendation:
Commissioners should take a consistent approach to penalising hospitals that do not adhere to the guidance of 15 minute handovers and the department should also develop a quality indicator for hospital trusts on hospital handover times.

6.1 The Government partially agreed with the Committee's recommendation.

Recommendation implemented.

6.2 The 2013-14 NHS England planning guidance outlined the incentives and levers to be used to improve services from April 2013. To help support the integration of services, at the point a patient arrives at A&E in an ambulance, NHS England has set the expectation that all handovers between an ambulance and A&E must take place within 15 minutes, and crews should be ready to accept new calls within a further 15 minutes. In addition, there is a contractual fine for all delays over 30 minutes, in both situations, with a further fine for delays over an hour, in both situations.

6.3 Care Quality Commission and Monitor will take appropriate action where delays continue to be problematic, using their 'Duty of Cooperation' to ensure an effective collaborative approach is taken at the interface of health care organisations.

7: Committee of Public Accounts conclusion
Ambulance services do not collaborate sufficiently with other emergency services to generate efficiency savings.

Recommendation:
The Efficiency Reform Group should work with the departments responsible for fire, ambulance and police services to commission an independent review.

7.1 The Government partially agreed with the Committee's recommendation.

Recommendation implemented.

7.2 The Joint Emergency Services Interoperability Programme (JESIP), led by senior representatives of the police, fire and rescue and ambulance services has examined options for enhanced delivery of the blue light services. The JESIP is overseen by a joint Ministerial Board chaired by the Home Secretary and supported on a day to day basis by officials from the Home Office, Department for Communities and Local Government, Department of Health, and the Cabinet Office.

7.3 The four key areas of interoperability (doctrine, training, testing and exercising and joint operational learning) will be driven by a multi-agency work-stream, which will be established in summer 2014 and will report biannually to ministers. The department is also currently working with the DCLG and Home Office on a project, which will identify barriers and opportunities around greater collaboration, and establish how Government can work with local authorities to help them reform the way they work and deliver savings.

Forty Seventh Report

Department for Work and Pensions

Reducing costs in the Department for Work and Pensions

Summary of the Committee's findings

As part of the Government's target to reduce the budget deficit, the Department for Work and Pensions has to reduce its running costs by £2.7 billion by March 2015. The department intends to achieve over half of this reduction in 2011-12. It is important that the reductions in the £7.8 billion running costs do not lead to an increase in expenditure on benefits and pensions (currently estimated at £156 billion).

Background resources

- NAO report: *Reducing costs in the Department for Work and Pensions* - Session 2010-12 (HC 1089)
- PAC report: *Reducing costs in the Department for Work and Pensions* - Session 2010-12 (HC 1351)
- Treasury Minute: December 2011 (Cm 8244)
- Treasury Minute – progress on implementing recommendations: February 2013 (Cm 8539)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8539), 5 recommendations were implemented. 1 recommendation remained work in progress, which has now been implemented, as set out below.

2: Committee of Public Accounts conclusion

The running cost reductions depend to a significant extent on optimistic assumptions that 80% of Jobcentre Plus customers will deal with their claims online.

Recommendation:

The department should test the realism of the plans by Jobcentre Plus to process 80% of Jobseekers Allowance claims online and prepare a detailed plan for what it can achieve. It must also spell out alternative actions if the assumed savings from customers using services online are not achieved.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 The department has used claimant and staff feedback to improve the online Jobseekers Allowance claims service. The department has also raised awareness among people already claiming Jobseekers Allowance (around 40% of claims are from people with a previous claim within 6 months); people already claiming another benefit; and people not currently claiming any benefit. By August 2013, 82.5% of Jobseekers Allowance claims were made online, ahead of target.

Forty Eighth Report

Foreign and Commonwealth Office

Spending reduction in the Foreign and Commonwealth Office

Summary of the Committee's findings

Around half of the Foreign and Commonwealth Office's budget is spent in foreign currencies. As a result of a decline in the value of sterling, in September 2009, the department faced an overspend of £91 million on its 2009-10 budget (£72 million centrally and £18.8 million overseas), out of its total budget of £1.6 billion.

Background resources

- NAO report: *Spending reduction in the Foreign and Commonwealth Office*- Session 2010-12 (HC 826)
- PAC report: *Spending reduction in the Foreign and Commonwealth Office*- Session 2010-12 (HC 1351)
- Treasury Minute: December 2011 (Cm 8244)
- Treasury Minute – progress on implementing recommendations: February 2013 (Cm 8539)

Updated Government response to the Committee

There were 5 recommendations in this report. As of the last Treasury Minute (Cm 8539), the department disagreed with 1 recommendation. 4 recommendations remain work in progress, as set out below.

2: Committee of Public Accounts conclusion

Most of the cuts the department made were short term and included delaying or stopping activities, which risked the department spending more in the future.

Recommendation:

In future cost reduction programmes, the department must assess whether proposed cuts will lead to additional spending later on and take this into account when selecting areas to cut.

2.1 The Government agreed with the Committee's recommendation.

Target implementation date: March 2015.

2.2 The department has made a programme of strategic and structural savings to meet the reduction in its budgets. The department continues with its programme of savings designed to enable it to live within its 2010 Spending Review Settlement while maintaining and in some cases enhancing its front-line activity. The department will also work to ensure that the further budget reductions will be delivered through further efficiencies and will not impact upon its frontline activities.

3: Committee of Public Accounts conclusion

Although the department believed it was able to sustain those services which absorbed the greatest cuts, it did not do enough to monitor and measure the impact of the cuts made.

Recommendation:

The department should develop clearer metrics to select future financial cuts in a more rational way and concentrate efforts and resources where they are most valuable.

3.1 The Government agreed with the Committee's recommendation.

Target implementation date: March 2015.

3.2 The department continues to develop its business planning process, which is the main tool for monitoring and evaluating overall performance to deliver the Government's foreign policy priorities. The department's updated business plan was published in May 2012. Business plans are regularly reviewed to assess whether the department is on track to deliver against its published plans, including mid-year reviews of individual country business plans. More detailed metrics to measure the impact of the department's activities in priority areas, including support to British business, have been developed and are scrutinised monthly by the department's Board.

3.3 Improvements to the system for aligning resource allocation more closely to business plan priorities over the medium-term are currently being put in place. This will provide more detailed information on the planned costs of delivering the department's objectives, enabling resources to be focused where they are most effective and to inform decisions on the impact of making future cuts.

4: Committee of Public Accounts conclusion
There is insufficient integration in the management of government properties overseas.

Recommendation:
The Foreign and Commonwealth Office should produce an analysis of the costs of all premises occupied by UK government organisations overseas. In light of this analysis, the Treasury should ensure that government organisations secure efficiencies through co-location where feasible, so that Government as a whole benefits, rather than one department benefitting at the expense of another.

4.1 The Government agreed with the Committee's recommendation.

Target implementation date: March 2015.

4.2 All departments have now agreed with the principle of co-location. It is good for the taxpayer as it reduces overheads. Excluding the UK Border Agency (UKBA), which is consolidating its overseas effort into a reduced number of regional hubs, there has been a 20% increase in the number of UK Government departments, Non-Department Public Bodies (NDPBs) and Devolved Administration staff co-located in UK Embassies since the introduction of a new charging regime for partners in April 2011.

4.3 The British Council (Council) and the Department for International Development are the only stakeholders that had traditionally maintained separate platforms overseas. Co-location projects usually have long lead-in times because of the number of staff involved and the need for extensive construction work to fit them in.

5: Committee of Public Accounts conclusion
Recent events in the Middle East demonstrate that the department needs to keep its finances flexible to deal with emerging global crises.

Recommendation:
The department should develop contingency saving measures to hold in reserve so that it can respond to unexpected worldwide events without affecting its ability to make necessary efficiencies and stay within its budget.

5.1 The Government agreed with the Committee's recommendation.

Target implementation date: March 2015.

5.2 The department has developed its financial risk management capability to support more flexible financial management and contingency planning. By actively managing the financial risks through a central risk register, the department can provide the FCO Board with a range of outturn scenarios, based on the department's assessment of cost pressures and under-spend risks. The Board therefore has options available should the department be required to redeploy resources to meet urgent, unplanned funding requirements at short notice.

5.3 The department currently holds the £10 million DUP as a contingency. To hold more than this in reserve would present a risk of significant under-spend at year end.

Forty Ninth Report
Cabinet Office
Efficiency & Reform Group's role in improving public sector value for money

Summary of the Committee's findings

The Efficiency and Reform Group was established within the Cabinet Office in May 2010 to lead efforts to cut Government spending by £6 billion in 2010-11. Its long term aim is to improve value for money across Government by strengthening the central coordination of measures to improve efficiency.

Background resources

- NAO report: *Efficiency and Reform Group's role in improving public sector value for money* Session 2010-12 (HC 887)
- PAC report: *Efficiency and Reform Group's role in improving public sector value for money* Session 2010-12 (HC 1352)
- Treasury Minute: December 2011 (Cm 8244)
- Treasury Minute – progress on implementing recommendations: February 2013 (Cm 8539)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8539), 5 recommendations were implemented. 1 recommendation remained work in progress, which has now been implemented, as set out below.

5: Committee of Public Accounts conclusion

The Group has direct responsibility for only a fraction of public sector spending, with many of the efficiency savings required by 2014-15 to be achieved in areas where the Group currently has no direct role.

Recommendation:

The Group must give further consideration to how the benefits of its approach could be replicated across the wider public sector, while respecting the powers of local decision making bodies. For commodity procurement in particular, the Group should develop and promote arrangements for the wider public sector to take up the best deals, including triggers to mandate actions if progress is slow.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 In April 2014, the Group launched the Crown Commercial Service (CCS). The CCS brings together the Government's central commercial capability into a single organisation, amalgamating the Government Procurement Service with other commercial teams from the Cabinet Office and central Government departments.

5.3 The remit of the CCS is to work with not only departments, but also organisations across the public sector to provide a fully managed end-to-end commercial and advisory service, including involvement with complex commercial activities. The Groups strategy is to strongly encourage public sector bodies to use CCS services and buying power to take up the best deals. The Government is introducing legislative reforms that will be mandatory on the wider public sector and include measures to abolish pre-qualification questionnaires for low value contracts and introduce a standardised pre-qualification questionnaire for high value contracts.

Fiftieth Report

Department for Communities and Local Government

The failure of the FiReControl project

Summary of the Committee's findings

FiReControl was an ambitious project with the objectives of improving national resilience, efficiency and technology by replacing the control room functions of 46 local Fire and Rescue Services in England with a network of nine purpose-built regional control centres using a national computer system. The project was launched in 2004, but following a series of delays and difficulties, was terminated in December 2010 with none of the original objectives achieved and a minimum of £469 million being wasted.

Background resources

- NAO report: *the failure of the FiReControl project* - Session 2010-12 (HC 1272)
- PAC report: the failure of the FiReControl - Session 2010-12 (HC 1397)
- Treasury Minute: December 2011 (Cm 8244)
- Treasury Minute - progress on implementing recommendations: February 2013 (Cm 8539)

Updated Government response to the Committee

There were 7 recommendations in this report. As of the last Treasury Minute (Cm 8539), 5 recommendations were implemented. 2 recommendations remained work in progress, all of which have now been implemented, as set out below.

6: Committee of Public Accounts conclusion
The department must ensure that the further £84.8 million it now intends to spend to obtain the original objectives of the FiReControl project is not wasted.

Recommendation:
The department should manage the new funding as a distinct programme, with defined outputs, clear criteria for approval, appropriate milestones and transparent delivery arrangements and accountabilities.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 The Future Control Room Services Scheme has been run as a separate, distinct programme. 23 bids were received from 44 fire and rescue authorities and were assessed against clear criteria for technical functionality, inter-operability and resilience, efficiency and value for money. The projects are expected to complete by May 2015.

6.3 Responsibility for delivering the improvements rests, appropriately, at the local level. However, from the outset, the department worked with the Chief Fire Officers Association's national resilience arm and the Local Government Association to establish oversight arrangements and provide support to the projects in delivering their improvement plans. A strategic board Chaired by the Chief Fire Officers Association, with membership from the Local Government Association and the department oversees the support programme and reviews project plans and savings.

6.4 The department will continue to publish, twice a year, an updated national summary, providing information about progress in delivering the resilience improvements and financial benefits.[15]

[15] https://www.gov.uk/government/publications/future-control-room-services-scheme-summary-national-picture-of-fire-and-rescue-authority-improvement-plans-march-2014-update

7: Committee of Public Accounts conclusion

The regional control centres remain empty and expensive to run.

Recommendation:

The Government must urgently undertake a review of fire, ambulance and police services to develop better co-operation and integration between the emergency services.

7.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

7.2 Following a report commissioned from the emergency services, the Government established the Joint Emergency Services Interoperability Programme to improve interoperability arrangements between emergency services. The Programme is on track to deliver its objectives by September 2014. Sir Ken Knight's review[16] put emphasis on fire and rescue authority collaboration with other local services. The Government is committed to encouraging more emergency service collaboration, for example: through the £75 million Fire Transformation Fund for innovation.

7.3 The department worked quickly to identify fire and rescue service interest in the control centres. Of the nine control centre buildings, four have been assigned to public sector bodies - three to Fire and Rescue Authorities and one, Fareham, to the Maritime Coastguard Agency. The sub-letting of the fifth centre, Wolverhampton, was the first to the private sector. The department is actively working to ensure that the remaining four control buildings are disposed of efficiently, within the constraints of there being no break clauses in the contracts that were signed under the last Administration.

[16] *Facing the Future*

Fifty Second Report

Department for International Development

DFID Financial Management

Summary of the Committee's findings

The Department for International Development is one of only two government departments protected from overall expenditure reductions. The Government has committed to increasing the UK's aid spending to 0.7% of gross national income by 2013. The department faces a substantial challenge to improve its financial management and secure value for money from its rapidly increasing programme budget over the next four years, while reducing its administration costs by a third.

Background resources

- NAO report: *Department for International Development - Financial Management Report* Session 2010-12 (HC 820)
- PAC report: *DFID Financial Management* - Session 2010-12 (HC 1398)
- Treasury Minute: February 2012 (Cm 8305)
- Treasury Minute – progress on implementing recommendations: February 2013 (Cm 8539)

Updated Government response to the Committee

There was 1 conclusion and 6 recommendations in this report. As of the last Treasury Minute (Cm 8539), 4 recommendations were implemented. 2 recommendations remained work in progress, all of which have now been implemented, as set out below.

4: Committee of Public Accounts conclusion

There is a risk that the department will increase its funding to multilaterals and partner organisations simply because it has insufficient capacity to spend its increased budget through its own bilateral programmes.

Recommendation:

The department must be able to demonstrate that any increase in funding to multilaterals is based on a clear assessment that it will achieve value for money, and that it represents better value for money than investing in alternative bilateral programmes.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The Multilateral Aid Review (MAR), undertaken in 2010, looked at the value for money offered by 43 of the multilateral organisations through which the Government had, up to 2010, invested aid. All of the multilateral organisations, which continued to receive funding, were re-assessed in 2013 in the MAR update. This looked at progress made by the organisations in the areas where the department asked them to improve their performance, and provided up-to-date information on which to base funding decisions. Decisions on new investments across both the multilateral and the bilateral programme are subject to rigorous review through the business case assessment framework.

5: Committee of Public Accounts conclusion

The department channels funding through complex delivery chains, some of which have high running costs. Total running costs for the delivery chain as a whole are not known.

Recommendation:

In order to maximise the resources that get to the frontline, the department should develop clear plans to reduce or control running costs when delivering through multilaterals and partner organisations, and set a target for total running costs for the delivery chain as a whole.

5.1 The Government partially agreed with the Committee's recommendation.

Recommendation implemented.

5.2 Following the MAR, 23 organisations were asked to strengthen their management and accountability systems to demonstrate a stronger focus on value for money. The MAR update in 2013 assessed that on average these agencies demonstrated progress in reforms, and actions had been taken to enable a better understanding of costs. The department continues to press for improved cost data, and all organisations will be reassessed through a MAR to be conducted in 2015.

5.3 The department is working with the Senior-Level Donor Meeting on Multilateral Reform on standard definitions and classification of multilateral administration costs and approaches for making these more transparent. The department led a pilot of this with UNAIDS, and other donors will be undertaking similar exercises this year. For other partner organisations, the department's business case guidance has been strengthened to improve assessment of operating costs throughout the supply chain to drive improved cost efficiency. These costs are continually monitored through project implementation to ensure projects remain good value for money.

Fifty Third Report

Department of Health

Managing high value capital equipment in the NHS in England

Summary of the Committee's findings

In the past three years, NHS trusts in England have spent around £50 million annually on buying three specific types of high value capital equipment – Magnetic Resonance Imaging and Computed Tomography scanners, used mainly for diagnosis, and Linear Accelerator machines for cancer treatment. The current value of these three types of machines in the NHS is around £1 billion. Patient demand for services from these machines has increased significantly in the last decade and continues to grow.

Background resources

- NAO report: *Managing high value capital equipment in the NHS in England* – 2010-12 (HC 822)
- PAC report: *Managing high value capital equipment in the NHS in England* - 2010-12 (HC 1469)
- Treasury Minute: February 2012 (Cm 8359)
- Treasury Minute – progress on implementing recommendations: February 2013 (Cm 8539)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (CM 8539), 2 recommendations were implemented. 4 recommendations remained work in progress, all of which have now been implemented, as set out below.

2: Committee of Public Accounts conclusion
The NHS lacks adequate information on MRI and CT activity to compare performance between trusts and to drive improvements in efficiency.

Recommendation:
From 2012-13 onwards, the NHS Commissioning Board should ensure that this dataset enables local clinical commissioning groups to hold trusts to account for their performance, and to drive improvements in efficiency.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 A Diagnostic Imaging Dataset containing information about CT and MRI scans at Trust level has been reported since April 2012. This information is collected by the Health and Social Care Information Centre (HSCIC), published online by NHS England, and available for CCGs to use. It is for CCGs to assess why usage may vary from the average and to determine what course of action to take as a result.

3: Committee of Public Accounts conclusion
Some trusts are not using framework agreements which would allow them to buy the same machines more cheaply.

Recommendation:
NHS Supply Chain must gather, quantify and promote evidence on the cost effectiveness of its framework agreements.

3.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

3.2 The department invested £300 million to allow the NHS to aggregate its demand for capital equipment. This investment is the NHS Capital Equipment Fund. By June 2014, the Fund has entered into deals for £298 million of equipment in a variety of modalities, including MRI, X-ray, CT and Linear accelerators. The NHS has purchased £183 million of this equipment from NHS Supply Chain, and in doing so has achieved savings of over £24 million (13%). The Fund is managed by NHS Supply Chain on behalf of the department and NHS BSA. A governance panel, including officials from both the department and NHS BSA, scrutinises agreements before they are entered into.

4: Committee of Public Accounts conclusion
The NHS is not taking advantage of bulk buying to achieve discounts, which is a missed opportunity to contribute towards £20 billion efficiency savings.

Recommendation:
Commissioners should require trusts to share their plans for the replacement of high value equipment with NHS Supply Chain and other collaborative procurement bodies.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 Trusts have shared their replacement High Value Capital Equipment plans with the NHS Supply Chain who holds and maintains a schedule of high value capital equipment replacement requirements for Trusts. This is used to inform negotiations with suppliers and utilisation of the capital fund put in place by the department to enable supply chain efficiencies to be realised with suppliers.

6: Committee of Public Accounts conclusion
It is unclear if the NHS can meet growing patient demand for scans and radiotherapy services at the same time as having to deliver substantial financial savings.

Recommendation:
At a national level the department, and in future the NHS Commissioning Board, should put in place the means to gauge whether capacity accurately matches needs. This should take into account the savings that could be made if machines were used more efficiently. At a local level, commissioners should secure the right capacity in the right places to meet the needs of their populations.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 It is important Commissioners engage in demand and capacity planning and fully understand essential elements of service provision. Since the introduction of the Health & Social Care Act 2012 on 1 April 2013, NHS England has published *Commissioning for value,*[17] which contains guidance and tools aimed to support effective commissioning. It is for local commissioners to assess whether capacity matches needs and to support local commissioners to understand all needs including radiotherapy services.

6.3 The guidance was issued as part of the new planning round and fits with NHS England's 'call to action' – planning to make the NHS sustainable into the future. CCGs are able to identify real opportunities to improve outcomes and increase value for local populations, for example by comparing spend on elective surgery or mortality rates of specific diseases with similar CCGs. The localised information should support discussions about prioritising areas for change, utilising resources including high value capital equipment such as scanners, and help local leaders make improvements in healthcare quality, outcomes and efficiency.

[17] http://www.england.nhs.uk/resources/resources-for-ccgs/comm-for-value/

Fifty Fourth Report

Department for Business, Innovation and Skills

Protecting Consumers – the system for enforcing consumer law

Summary of the Committee's findings

Individual consumers lose around £6.6 billion every year because of the malpractices of traders, for example by purchasing defective goods, being misled by advertising or being which occur at a regional or national level, such as mass market scams, and unscrupulous traders who operate over large geographical areas. The Department for Business, Innovation and Skills has overall responsibility for policy on consumer protection.

Background resources

- NAO report: *Protecting Consumers – the system for enforcing consumer law* - Session 2010-12 (HC 1087)
- PAC report: *Protecting Consumers – the system for enforcing consumer law* - Session 2010-12 (HC 1468)
- Treasury Minute – February 2012 (Cm 8305)
- Treasury Minute – progress on implementing recommendations: February 2013 (Cm 8539)

Updated Government response to the Committee

There were 5 recommendations in this report. As of the last Treasury Minute (Cm 8539), 1 recommendation was implemented. 4 recommendations remained work in progress, all of which have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
Accountability arrangements for protecting consumers are incoherent and fragmented.

Recommendation:
In designing a new system the department must clearly spell out the obligations and responsibilities of all the organisations involved, ensuring that there is clear accountability and funding for regional and national issues.

1.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

1.2 In April 2012, the department created a National Trading Standards Board (NTSB) to coordinate and prioritise national and cross-Local Authority boundary enforcement to ensure that complex criminal activity can be more effectively tackled. In April 2013, the Citizens Advice Service (Citizens Advice and Citizens Advice Scotland) became the publicly-funded voice of consumers, providing a 'one-stop shop' for all information, advice, education and advocacy on general consumer matters.

1.3 Both the Citizens Advice Service and the NTSB are fully accountable to the department for the use of grant and levy funding through conditions placed in their annual grant letters. The department has also established a Consumer Protection Partnership (CPP) to bring together key partners within the reformed consumer landscape to better identify, prioritise and coordinate collective action to tackle the issues causing greatest harm to consumers.

2: Committee of Public Accounts conclusion
The enforcement system for dealing with trader malpractices that occur at a regional and national level is inadequate, and instances of abuse fall through cracks between enforcement bodies.

Recommendation:
The department must ensure that there are robust systems and funding available to escalate cases to the appropriate enforcement body, and that the progress of cases is assured and can be tracked through the system.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 Since April 2012, the NTSB has coordinated significant national and regional enforcement cases, which cut across local authority boundaries. In 2014-15, the department is providing £13.1 million of funding to the NTSB.

2.3 The NTSB has set up a National Tasking Group (NTG) of representatives from regional Trading Standards Services and the Competition and Markets Authority (CMA) to prioritise, task and fund national and cross-regional enforcement cases. Through the NTG, decisions are taken on whether cases should be pursued by Trading Standards Services or, if they concern market wide issues, referred to the CMA. The NTG also has delegated authority to make available funding from the NTSB's national enforcement budget which both Local Trading Standards Services and regional enforcement teams are eligible to bid for.

2.4 In 2014-15, the NTG has been allocated £1.9 million of the NTSB's total funding to support cases, which extend beyond the capacity of individual local authorities.

4: Committee of Public Accounts conclusion

The powers and penalties available to enforcement bodies are too weak to address serious forms of harm to consumers.

Recommendation:

In reducing non-departmental bodies working on consumer law enforcement, the department must ensure that the remaining enforcement bodies have the power, expertise and money to address major and emerging forms of harm.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 In April 2014, Consumer Futures (previously Consumer Focus), the advocate for consumers in the regulated sectors, was abolished and its regulatory functions were transferred to the Citizens Advice Service and the General Consumer Council for Northern Ireland. This change has meant that the technical expertise of Consumer Futures is combined with the real consumer experience of Citizens Advice Service and their advice helpline and applied into policy making.

4.3 A key function of the CPP is to enable partners to share, compare, and interpret intelligence to identify trends in current causes of detriment, and horizon scan to identify future issues that could adversely affect consumers. The CPP Strategic Group uses this intelligence to agree priorities for enforcement, information and education.

4.4 The establishment of the NTSB, in April 2012, means that Trading Standards is now better equipped to take greater responsibility for consumer law enforcement. Central Government funding for national leadership and coordination of enforcement activity was transferred from the OFT to the NTSB and increased to a total of £13.7 million in 2013-14. The NTSB's budget for 2014-15 is £13.1million.

5: Committee of Public Accounts conclusion

The level of financial risk taken on by enforcement bodies may discourage them from pursuing complex and difficult investigations

Recommendation:

The department must set out how it will ensure that enforcement bodies are able to pursue cases through the courts where necessary, and are not deterred from taking on large or complex investigations by the costs and risks involved.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 In April 2013, the department transferred responsibility for coordination of enforcement activity from the OFT to Trading Standards. This enables a sustained approach to cases, such as the successful prosecution against a ‘land-banking’ scam, which would previously have been beyond the scope of an individual local authority. In 2013-14 the NTSB increased its provision to the National Tasking Group to £2.25 million to enable the continued support of large and significant enforcement cases.

5.3 The Competition and Markets Authority (CMA) continues to investigate market issues which affect consumers. It will build on the successes of the OFT and the Competition Commission, supported by the strengthened competition regime set out in the Enterprise and Regulatory Reform Act 2013. Additionally, when there is evidence of a major and widespread problem, consumer interest organisations sometimes make super-complaints to prevent further harm to consumers. These super-complaints will be considered by the new CMA and fast-tracked if necessary.

Fifty Fifth Report

HM Treasury; Department for Communities and Local Government; Department for Education; and Department of Health

Formula funding of local public services

Summary of the Committee's findings

Government departments distributed £152 billion, one-fifth of all Government spending, to local public bodies in 2011-12 based on the three grants considered by the Committee in its hearing: Primary Care Trust Allocations; Dedicated Schools Grant; and the Department for Communities and Local Government's Formula Grant. These distribute funding to local public bodies in a range of sectors, including health, education, local government, police and fire and rescue services.

Background resources

- NAO report: *Formula funding of local public services* - Session 2010-12 (HC 1090)
- PAC report: *Formula funding of local public services* - Session 2010-12 (HC 1502)
- Treasury Minute: February 2012 (Cm 8305)
- Treasury Minute – progress on implementing recommendations: February 2013 (Cm 8539)

Updated Government response to the Committee

There was 1 conclusion and 6 recommendations in this report. As of the last Treasury Minute (Cm 8539), 3 recommendations were implemented and the department disagreed with 2 recommendations. 1 recommendation remained work in progress, which has now been implemented, as set out below.

7: Committee of Public Accounts conclusion

Approaches taken to formula funding of local public services are inconsistent across government, and arrangements to identify and promote best practices are inadequate.

Recommendation:

The Treasury should report back to the Committee to explain how each of the Committees recommendations is incorporated within new funding arrangements.

7.1 The Government partially agreed with the Committee's recommendation.

Recommendation implemented.

7.2 The Treasury will continue to be involved in considering and agreeing Government decisions on funding allocations. For example: the Treasury has considered and responded to a Cabinet Committee write-round on the Local Government Finance Settlement for 2013-14 and 2014-15, and reform options.

Fifty Sixth Report

Ministry of Defence

Providing the UK's carrier strike capability

Summary of the Committee's findings

The 1998 Strategic Defence Review committed to replace the three existing Invincible Class aircraft carriers with two larger, more versatile, carriers capable of carrying a more powerful aircraft. By the time the 2010 Strategic Defence and Security Review (SDSR) started, the department had signed manufacturing contracts for two carriers with an estimated cost of £5.24 billion and delivery dates of 2016 and 2018. The construction of the carriers by the Aircraft Carrier Alliance is going well to date. The majority of build targets have been met and the project is on track to be within budget.

Background resources

- NAO report: *Carrier Strike - Session* 2010-12 (HC 1092)
- NAO report: *Carrier Strike: Supplementary Report* – Session 2010-12 (HC 1657)
- PAC report: Providing the UK's *Carrier Strike Capability* - Session 2010-12 (HC 1427)
- Treasury Minute: October 2011 (Cm 8212)
- Treasury Minute – progress on implementing recommendations: February 2013 (Cm 8539)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (CM 8539), 4 recommendations were implemented and the department disagreed with 1 recommendation. 1 recommendation remained work in progress, which has now been implemented, as set out below.

6: Committee of Public Accounts conclusion
There is no one person responsible for delivering the Carrier Strike project below the Accounting Officer.

Recommendation:
The department should give SROs the authority and information they need to manage the delivery of the equipment and capabilities for which they are in theory accountable.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 Following Lord Levene's report and to support Defence Reform Initial Operating Capability, on 1 April 2013, the department introduced updated SRO policy and procedures specifically considering tenure related to key programme milestones, span of control and linking the appointment to responsibilities and accountabilities outlined in the new Operating Model as a result of the Financial Military Capability Transformation Programme.

6.3 From 1 April 2013, these policies and processes have been used to manage new SRO appointments for Capability programmes in the Front Line Commands (and Head Office Strategic Programmes). For the department's most significant Capability programmes the appointments (directly by the PUS, or the relevant TLB holder, approved by PUS) have been made taking account of tenure issues and milestones to be achieved and the number of SRO roles proposed for the each SRO. TLB holders are required to take similar judgements for all other programmes.

6.4 Lord Levene's 2nd Annual Progress Report dated November 2013 stated there is now some evidence that longer tour lengths may be becoming the standard for senior military and civilian posts at two-star and above, but he highlighted that this needs to become the norm.

Fifty Seventh report

Department of Health

Oversight of user choice and provider competition in care markets

Summary of the Committee's findings

Successive governments have supported the move towards using personal budgets and markets to promote user choice and provider competition in social care. Currently, 340,000 people, or 30 % of eligible care users, have a personal budget, which enables the individual to choose their care provider. The Government wants all eligible users to be offered a personal budget by April 2013. Personal budgets currently cost the taxpayer £1.5 billion each year. Individuals who fund and therefore choose their own care spend about £6.3 billion annually. The total annual expenditure on care is around £23 billion.

Background resources

- NAO report: *Oversight of user choice and provider competition in care markets* – 2010-12 (HC 1458)
- PAC report: *Oversight of user choice and provider competition in care markets* - 2010-12 (HC 1530)
- Treasury Minute: February 2012 (Cm 8359)
- Treasury Minute – progress on implementing recommendations: February 2013 (Cm 8539)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8539), 2 recommendations were implemented. 4 recommendations remain work in progress, as set out below.

1: Committee of Public Accounts conclusion
There are no arrangements yet in place to oversee regional care markets, but the department said that it was considering a range of options for overseeing the market in care.

Recommendation:
The department must specify what market share at the local level is acceptable, what arrangements will be made to keep market shares of large scale providers under review, and what additional powers it requires in case it needs to intervene to prevent a provider becoming dominant.

1.1 The Government partly agreed with the Committee's recommendation.

Target implementation date: 2015.

1.2 The Care Act, which received Royal Assent on 15 May 2014, contains new explicit duties on local authorities to promote their entire market for care and support (not just where the authority buys services for people funded by the state) to ensure that people have a choice of services and providers by promoting quality, diversity and sustainability. The department funded a programme, which ended in March 2014 that successfully helped local authorities with these new 'market shaping' duties. There is a vibrant market for both care at home and residential care, and the department has no plans to take powers to restrict this market.

1.3 The Care Act establishes the Care Quality Commission (CQC) as a regulator with financial oversight of the larger and more difficult to replace care providers. This will provide early warning of any significant failure, and help local authorities to ensure continuity of care for vulnerable people if a care provider does fail.

4: Committee of Public Accounts conclusion
The department has no power to compel local authorities to implement personal budgets.

Recommendation:
The department should specify the actions it will take, including penalties, to ensure local authorities meet this important Government target.

4.1 The Government partly agreed with the Committee's recommendation.

Target implementation date: April 2015.

4.2 The Care Act contains specific provisions that will provide people with a personal budget, as part of their care and support plan. Therefore, when implemented in April 2015, everyone accessing social care will, by law, be provided with a personalised care and support plan. This will clearly set out the needs and outcomes that are to be met, and the level of funding both the local authority and the individual (if appropriate) will pay to meet these needs.

4.3 The official data for 2012-13 from the Health and Social Care Information Centre showed that 57% of people eligible for community based social care received a personal budget, indicating that while progress has been made, provision of personal budgets still varies considerably across local authorities. The department is now working with Think Local, Act Personal, ADASS and other social care stakeholders to develop statutory guidance to support the provisions in the Care Act that mandate personal budgets as part of the care and support plan.

5: Committee of Public Accounts conclusion
The quality of support available to personal budget users is variable.

Recommendation:
The department should work with the Association of Directors of Adult Social Services to produce an action plan aimed at developing and sharing best practice to improve the individual's experience of using personal budgets, and ensure that all the different user groups receive the necessary support.

5.1 The Government partially agreed with the Committee's recommendation.

Target implementation date: April 2015.

5.2 The department expects to see all local authorities improving the access people have to independent advice, particularly to support individuals to plan and put in place their own care arrangements via personal budgets.

5.3 The Care Act 2014 sets out a number of related duties for local authorities:

- that LAs must "*establish and maintain a service for providing people in its area with information and advice relating to care and support for adults and support for carers*";
- when undertaking a care or support plan with a person, the Care Act sets out that the local authority must take all reasonable steps to involve the person the plan is intended for, the carer (if there is one), and any other person the adult requests to be involved; and
- a new duty from April 2015 for local authorities in specific circumstances to arrange an independent advocate to facilitate a person's involvement, in the preparation of their care and support plan.

6: Committee of Public Accounts conclusion
There is inconsistency and confusion in what users can spend personal budgets on and inadequate redress when things go wrong.

Recommendation:
The department should provide greater clarity on what personal budget spending is permissible and develop a clear complaints process aimed at resolving problems quickly and securing appropriate redress.

6.1 The Government partly agreed with the Committee's recommendation.

Target implementation date: April 2015.

6.2 The department has been working collaboratively with social care stakeholders to produce draft versions of the statutory guidance and regulations to support the Care Bill. This includes new guidance on care and support planning, personal budget and updated guidance and regulations on direct payments. The Care Bill guidance and regulations will be published for public consultation in May 2014, and final versions published in October 2014, before coming into force in April 2015. Current complaints provision for care and support is set out in regulations.[18]

6.3 In conjunction with stakeholders, the department intends to develop new proposals for a system for appealing local authority decisions. The department will consult on more detailed proposals late in 2014, with the new appeals system coming into force in April 2016.

[18] Local Authority Social Services and NHS Complaints Regulations 2009, made under powers in Sections 113 to 115 of the Health and Social Care (Community Health and Standards Act) 2003.

Fifty Eighth Report
HM Revenue and Customs
PAYE, tax credit debt and cost reduction

Summary of the Committee's findings

HM Revenue and Customs faces a huge challenge to resolve long-standing problems with the administration of PAYE and tax credits while making substantial reductions to its running costs. The department needs to stabilise its administration of PAYE following the problems encountered after a new processing system was introduced in 2009. The department also needs to recover a significant amount of outstanding tax credit debt while minimising the amount of new debt being accumulated.

While £900 million extra has been allocated to tackle tax avoidance, at the same time, following the 2010 Spending Review, the department is required to reduce its running costs by £1.6 billion over the next four years.

Background resources

- HM Revenue and Customs Annual Report and Accounts 2010-11
- NAO report: *Reducing costs in HM Revenue and Customs* Session 2010-12 (HC 1278)
- PAC report: *PAYE, tax credit debt and cost reduction* – Session 2010-12 (HC 1565)
- Treasury Minute : February 2012 (Cm 8301)
- Treasury Minute - progress in implementing recommendations: February 2013(Cm 8539)

Updated Government response to the Committee

There were 8 recommendations in this report. As of the last Treasury Minute (Cm 8539) 4 recommendations were implemented. 4 recommendations remained work in progress, all of which have now been implemented, as shown below.

1: Committee of Public Accounts conclusion
The department's administration of PAYE has improved, but it still has a huge backlog of records for manual reconciliation.

Recommendation:
The department must maintain its programme to deal with the backlog by 2013 and not let it slip. It also needs to determine exactly how it will manage in-year changes going forwards, so amendments to taxpayer records are processed as people's circumstances change.

1.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

1.2 The department cleared the backlog of Pay As You Earn (PAYE) records by 31 March 2013. This includes the clearance of 6.7 million outstanding end-of-year reconciliations for 2008-09 and 2009-10; the clearance of outstanding reconciliations pre-dating the introduction of National Insurance and PAYE Service (NPS) relating to the 2003-04 to 2007-08 tax years; and completion of end-of-year reconciliations for 2010-11 and 2011-12 tax years.

1.3 Additionally, the department has cleared the legacy open cases (tax years 2003-04 to 2007-2008); reviewed and cleared 13.25 million customer accounts, not cleared by the original automatic reconciliations for the tax years up to 2011-12; and ran the End of Year Reconciliation process as designed. The department confirms that PAYE is being kept up to date.

2: Committee of Public Accounts conclusion
Increasing the accuracy of PAYE data is fundamental to implementing Real Time Information and stabilising the administration of PAYE.

Recommendation:
The department must have a clear plan for how it will use the increased volumes of data under RTI to update PAYE records. RTI is also essential for the Universal Tax Credit to function, so efficient implementation of RTI is vital.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 The department has taken a phased approach to the implementation and exploitation of Real Time Information (RTI). This ensured the safe delivery of RTI and enabled the department to learn lessons from the pilot, which were then applied during the main employer migration. It has also ensured that the information reported through RTI was used in the most effective way to support PAYE and other key business processes across the department.

2.3 RTI has successfully supported the phased implementation of Universal Credit (UC). The RTI / UC interface was implemented in October 2012. The department is continuing to process requests from the Department for Work and Pensions, returning earnings information and exceptions back to Universal Credit in line with expectations. The department is also working with other government departments to assess the potential for the further use of RTI information across Government.

4: Committee of Public Accounts conclusion
The department's strategy to reduce tax credit debt is not working and without new steps to improve the situation, debt levels are expected to increase to £7.4 billion by 2014-15.

Recommendation:
The department should focus its efforts on preventing the problem arising by minimising the number of incorrect tax credit awards it makes. It should also clarify its approach to reducing tax credit debt, including writing off debt where there is a value for money case for doing so.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The tax credits debt strategy seeks to maximise value for money in collecting debt. The strategy:

- prevents debt by reducing overpayments;
- collects more debt using a campaign based approach based on affordability, using Debt Collection Agencies (DCA); and
- identifies and deals with uncollectable debt.

4.3 The department has introduced new approaches to recover overpayments. DCAs will test the collection of debts, where recovery activity has previously been considered to represent poor value for money; and from August 2014, perform all first stage recovery activity (for example: letters and telephone calls). The department is also using 'ability to pay' information in its collection strategies, recovering debts through Pay As You Earn(PAYE) code changes, and from October 2015, directly recovering older debts from ongoing awards.

6 Committee of Public Accounts conclusion

The department does not fully understand the potential impact of cost reductions on customer service and taxpayer compliance.

Recommendation:

The department must extend its modelling to cover the risks and potential consequences of cost reductions on customer service and taxpayer compliance, and use the results of this modelling to inform its future approach to making cost reductions.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 This recommendation has been superseded by recommendations contained in the NAO report: *Progress on reducing costs* - Session 2012-13 (HC 899).

Fifty Ninth Report
Ministry of Defence
Cost effective delivery of an armoured vehicle capability

Summary of the Committee's findings

Armoured vehicles such as tanks, reconnaissance and personnel-carrying vehicles are essential for a wide range of military tasks. Since the 1998 Strategic Defence Review, the Ministry of Defence has attempted to acquire the vehicles it needs through a number of procurement projects. However, none of the principal armoured vehicles it requires have yet been delivered, despite the department spending £1.1 billion since 1998, including £321 million wasted on cancelled or suspended projects. As a result there will be gaps in capability until at least 2025, making it more difficult to undertake essential tasks such as battlefield reconnaissance.

Background resources

- NAO report: *The cost-effective delivery of an armoured vehicle capability*- Session 2010-12 (HC1029)
- PAC report: *The cost-effective delivery of an armoured vehicle capability* - Session 2010-12 (HC 1444)
- Treasury Minute: February 2012 (Cm 8305)
- Treasury Minute – progress on implementing recommendations: February 2013 (Cm 8539)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8539), 4 recommendations were implemented. 2 recommendations remained work in progress, all of which have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
The department has failed to deliver any vehicles from its core programmes despite spending £1.1 billion since 1998.

Recommendation:
The department should ensure that future procurement decisions are based on a clear analysis of its operational priorities, and must challenge proposals vigorously to ensure they are both realistic and affordable. Once budgets have been set, they must be adhered to.

1.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

1.2 The creation of the Core Programme, as part of budget setting 2012, represented a significant change in the way the department manages its forward equipment programme. Decisions to add new projects to the Core Programme were subject to scrutiny by the Investment Approvals Committee, and confirmation that the necessary funds were available to bring them into service. This approach is now departmental policy.

1.3 This is demonstrated by the foundation of the Armoured Vehicle Programme, which has seen the delivery of the TERRIER armoured engineer vehicle, as well as the progress being made on both the Warrior Capability Sustainment Programme, and the SCOUT Specialist Vehicle Programme for which the first prototypes have been delivered, and the department will transition beyond development. In February 2014, the department published its second annual summary of the Defence Equipment Plan and, in line with its commitment to greater transparency and assurance, the NAO reviewed the plan and acknowledged the department's ability to maintain an affordable Equipment Plan.

6: Committee of Public Accounts conclusion

There is poor accountability for long-term equipment projects, such that no-one has had to answer for this prolonged failure of management

Recommendation:

The Accounting Officer should ensure that the lines of accountability for projects, and the way in which those responsible will be held to account, are clearly articulated and understood throughout the department.

6.1 The Government partly agreed with the Committee's recommendation.

Recommendation implemented.

6.2 Following Lord Levene's report and to support Defence Reform Initial Operating Capability, on 1 April 2013, the department introduced updated SRO policy and procedures specifically considering tenure related to key programme milestones, span of control and linking the appointment to responsibilities and accountabilities outlined in the new Operating Model as a result of the Financial Military Capability Transformation Programme.

6.3 From 1 April 2013, these policies and processes have been used to manage new SRO appointments for Capability programmes in the Front Line Commands (and Head Office Strategic Programmes). For the department's most significant Capability programmes the appointments (directly by the PUS, or the relevant TLB holder, approved by PUS) have been made taking account of tenure issues and milestones to be achieved and the number of SRO roles proposed for the each SRO. TLB holders are required to take similar judgements for all other programmes.

6.4 Lord Levene's 2nd Annual Progress Report, dated November 2013, stated there is now some evidence that longer tour lengths may be becoming the standard for senior military and civilian posts at two-star and above but he highlighted that this needs to become the norm.

Sixtieth Report

Department of Health

Achievement of Foundation Trust Status by NHS Hospital Trusts

Summary of the Committee's findings

A vital component of a successful health service is that everybody wherever they live should have ready access to a high standard of care through a network of acute hospitals that are subject to strong clinical and financial governance. The Department of Health sees self-governing foundation status as necessary if hospitals are to succeed in a financially demanding environment. Becoming a foundation trust requires strong governance, long-term financial viability, and a framework to secure delivery of quality services. NHS foundation trusts were first created in 2004 and, between then and the end of September 2011, 139 NHS trusts attained foundation status. The Government intends that the majority of the remaining 113 NHS trusts will become foundation trusts by April 2014. It is already clear that this will be extremely difficult to achieve.

Background resources

- NAO report: *Achievement of Foundation Trust Status by NHS Hospital Trusts* - Session 2010-2012 (HC 1516)
- PAC report *Achievement of Foundation Trust Status by NHS Hospital Trusts* - Session 2010-2012 (HC 1566)
- Treasury Minute – February 2012 (Cm 8305)
- Treasury Minute – progress on implementing recommendations: February 2013 (Cm 8539)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8539), 3 recommendations were implemented. 3 recommendations remained work in progress, all of which have now been implemented, as set out below.

3: Committee of Public Accounts conclusion
The situation in many parts of London is unacceptable and long-standing problems need to be tackled urgently.

Recommendation:
The department and NHS London need to develop a clear strategy and appropriate support for the creation of a sustainable, safe and efficiently delivered health system, and communicate it clearly to Londoners.

3.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

3.2 In April 2013, NHS TDA assumed responsibility for the sustainability of London's NHS Trusts from NHS London, and published their 'Accountability Framework' which sets out precisely how they will work with NHS Trusts to ensure sustainable, safe and efficient care.

3.3 In September 2013, the London Healthcare Commission was established, which brings together the Mayor of London with the NHS, local government and the wider public, to address the challenges that London faces in the areas of:

- Improving the quality and integration of care
- Enabling high quality and integrated care delivery
- Healthy lives and reducing health inequalities
- Health economy, research and education
- Engaging the public on how decisions are made about health and healthcare

3.4 This will in part be informed by an assessment of the progress in implementing the changes proposed in the 2007 Healthcare for London review. The Commission is due to report by autumn 2014.

5: Committee of Public Accounts conclusion
PFI is an additional challenge facing a few hospitals and PFI service charges are contributing significantly to some trusts' financial problems.

Recommendation:
The department will need to ensure the long term sustainability of these hospitals whilst at the same time minimising any extra financial support it offers.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 The department is working closely with the NHS Trust Development Authority (TDA) to ensure that NHS trusts are financially sustainable and not reliant upon extra financial support. The TDA have developed a detailed *Accountability Framework* that sets out how they monitor the performance of NHS trusts – clinical, operational and financial – as well as what interventions they will make if they found any trusts unsustainable. Where the TDA find that a trust is unsustainable financially, and therefore not viable as a standalone Foundation Trust, then TDA will intervene to secure a merger, acquisition or alternative transaction to ensure that the trust ultimately attains a sustainable form.

5.3 Further information on NHS Trusts and PFI can be found to the response on recommendation 6 in the Committee's 33rd report on *NHS Landscape Report,* which can be found in this publication.

6: Committee of Public Accounts conclusion
Nearly 40 % of trusts struggling to attain foundation trust status have identified leadership and governance as a key problem.

Recommendation:
The department should report back to the Committee, by the end of April 2012 on • what practical steps have been taken by successful foundation trusts to engage higher calibre non executives, and to put in place more robust accountability frameworks; what action the 40 % of NHS trusts with acknowledged weaknesses have taken to address the leadership and governance problems they are facing; and what impact the new toolkit has had in helping those trusts struggling to attain foundation status.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 Recognising the need for trusts to engage higher calibre non-executive talent Monitor and the former NHS Institute for Innovation and Improvement developed a three-day programme to equip non-executive directors with the tools and know-how to instigate systematic change and increase their value to their trust to help initiate and steer organisational change.

6.4 The NHS TDA has developed a strategy for the provision of a high quality and comprehensive induction programme to support new NHS trust chairs and non-executive directors following a rigorous selection process. Mechanisms are also in place to ensure that all NHS trust chairs and NEDs receive regular appraisals where development needs can be identified, and that they have access to appropriate support and development services.

6.5 In terms of the effectiveness of governance, management and leadership of organisations, Monitor, NHS TDA and CQC are developing an aligned framework for making judgements about how well-led NHS providers are. A joined-up approach will remove unnecessary duplication and burden on NHS providers. The partners intend to publish a final version of the framework by October 2014, after testing the approach with NHS foundation trusts and NHS trusts.

Sixty Second Report

Department for Work and Pensions

Means Testing

Summary of the Committee's findings

The Government uses means testing to distribute at least £87 billion of benefits to claimants each year, around 13% of total public spending. The poorest fifth of households rely on means-tested benefits for a third of their net income. The Government is undertaking fundamental reforms of the benefits system, including the introduction of a new means-tested Universal Credit that will replace a number of existing means-tested benefits. In doing this the Government should ensure that it learns from the lessons of the past and coordinates benefits effectively in order to safeguard value for money for taxpayers and claimants.

Background resources

- NAO report: *Means Testing* - Session 2010-2012 (HC 1464)
- PAC report: *Means Testing* - Session 2010-2012 (HC 1627)
- Treasury Minute: March 2012 (Cm 8335)

Updated Government response to the Committee

There were 6 recommendations in this report. The department disagreed with 3 recommendations. As of the last Treasury Minute (Cm 8335), 3 recommendations remained work in progress, of which 2 have now been implemented, as set out below.

2: Committee of Public Accounts conclusion
It is not clear what effect some means-tested benefits have on claimants' incentives to work.

Recommendation:
The Committee expects departments to do more to understand what impact multiple benefits have on an individual. In particular, the Treasury and DWP should ensure they understand how the wider benefit system affects incentives when they assess the impact of a policy change.

2.1 The Government agreed with the Committee's recommendation.

Target implementation date: December 2014.

2.2 The department recognises the importance of supporting departments and devolved administrations to ensure that, with the introduction of Universal Credit (UC), passported benefits continue to be available to those who need them. It is not possible to quantify the full effects of all passported benefits on incentives to work due to the range of benefits available and the differences between theoretical entitlement and actual take-up.

2.3 However, the department is keen to understand the key impacts where feasible, and will continue to develop analytical tools that help give a more comprehensive overview of work incentives, with a particular focus on Free School Meals and childcare costs.

4: Committee of Public Accounts conclusion
The benefit system is difficult to understand and places a high burden on claimants.

Recommendation:
The Department for Work and Pensions, along with other departments with means-tested benefits, needs to develop a better understanding of the financial costs and other burdens placed on claimants applying for benefits. The Committee would expect this information to be used in delivering Universal Credit so as to improve benefit take-up.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The department acknowledged the complexity of the current benefit system and the scope for this to reduce take up as some people would not understand their entitlements. The introduction of Universal Credit (UC) will greatly simplify the benefit system, for example: by removing the distinction between in-work and out-of-work support, and making clear the potential gains to work. UC's greater simplicity, in both its delivery and design, will lead to a substantial increase in take up. Most of this impact will be at the lower end of the income distribution.

5: Committee of Public Accounts conclusion

Departments don't understand why administrative costs of means-tested benefits vary so significantly.

Recommendation:

DWP and HMRC must build on existing information to identify why their costs vary for different means tests and where efficiencies can be made.

5.1 The Government agreed with the Committee's recommendation

Recommendation implemented.

5.2 The tool to compare the costs of different benefits on a consistent and relevant basis, the departmental Activity Based Model, has continued to be refined and improved to enable comparisons between benefit costs at different points in the end to end process of delivering the benefit. The use of the tool has been expanded beyond the Finance Directorate to Strategy to link to the on-going review of the delivery of benefits. This data, alongside performance data, is then used to inform decisions and identify areas where one benefit can 'learn' from another or to drive out efficiencies across the business. There are no plans to directly compare this with HMRC costs.

Sixty Third Report

Department of Energy and Climate Change

Preparations for the rollout of smart meters

Summary of the Committee's findings

Under European Directives, all member states are required to install 'intelligent metering systems' – smart meters – to at least 80% of domestic electricity consumers by 2020 if there is a cost benefit case for doing so. The UK Government has opted for a more challenging programme, with plans for energy suppliers to install smart electricity and gas meters in all homes and smaller non-domestic premises in Great Britain by 2019. At the time of the Committee the Department of Energy and Climate Change estimated that the smart meters programme would cost some £11.7 billion. This is a large complex programme requiring replacing around 53 million gas and electricity meters with significant uncertainties over the estimated costs and benefits involved.

Background resources

- NAO report: *Preparations for the roll-out of smart meters* – June 2011 (HC1091)
- PAC report: *Preparations for the roll–out of smart meters* – January 2012 (HC1617)
- Treasury Minute: March 2012 (Cm 8335)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8335), 6 recommendations remained work in progress, all of which have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
Consumers will have to pay energy suppliers for the costs of installing smart meters through their energy bills, but many of the benefits will pass in the first instance to the energy suppliers.

Recommendation:
The department needs to build consumer trust by ensuring suppliers report transparently the costs and savings of smart metering and the department should set out clearly how it will review suppliers' implementation plans and monitor their performance and the information they give to ensure that the benefits are shared with consumers. The department is relying on competition to drive down prices, but Ofgem have clearly found that the energy market is not functioning effectively as a competitive market. The department must act to ensure open competition does prevail.

1.1 The Government partially agreed with the Committee's recommendation.

Recommendation implemented.

1.2 The Energy Act 2008 gave the department the power to amend licences to require suppliers to submit information on their smart meter roll-outs, including cost information, and licence amendments, which came into force in March 2013 following public consultation. The department now requires larger suppliers to report each quarter on their progress with delivering smart meter installations. The department will report annually on the benefits to consumers to provide transparency and help build confidence.

1.3 The Government is committed to ensuring that there is vigorous competition in the energy market. The Government has asked Ofgem, the Office of Fair Trading (OFT) and the Competition Markets Authority (CMA) to carry out annual reviews on the state of competition in the energy markets. The first annual assessment was published in March 2014. In light of the assessment, Ofgem has published a consultation on a proposed market investigation. The consultation closed on 23rd May, Ofgem will consider responses and then take a formal decision as to whether to refer the energy markets to the CMA for a formal market investigation.

1.4 In the longer term, smart metering will empower consumers and drive competition, both by providing consumers with information to enable better-informed switching decisions and by enabling switching processes to become quicker and more reliable.

2: Committee of Public Accounts conclusion
The benefits of smart meters can only be fully realised if there is widespread take up and consumers use them to reduce their energy bills, yet the role of suppliers in helping to achieve this remains undefined.

Recommendation:
The department should clearly set out what energy suppliers' responsibilities will be for engaging with consumers to deliver the benefits; and how they will be held accountable to both the department and consumers. The department should also set out how it proposes to engage and inform consumers of the potential benefits to them. Furthermore, smart meters have a limited life and the department, working with industry, should make absolutely clear the potential costs beyond the next decade.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 The smart metering Consumer Engagement Strategy[19] was published in December 2012. The Strategy identifies suppliers as holding the primary consumer engagement role, as they are the main interface with their customers throughout the installation process, guided by the Smart Metering Installation Code of Practice (June 2013). For example, as part of the installation process, suppliers must explain how customers can use the metering system and In-home Display (IHD) to improve energy efficiency; signpost customers to additional sources of energy efficiency information; and they must specifically identify and meet the needs of vulnerable customers.

2.3 The Strategy also identified a need for suppliers' individual activities to be supported by a programme of coordinated consumer engagement. This will be undertaken by a new independent Central Delivery Body (CDB), which was set up by larger suppliers in June 2013. The CDB published its Consumer Engagement Plan in December 2013.

2.4 The Programme's Impact Assessment takes a long term view of smart metering, assessing the costs and benefits in the period to 2030. It takes into account that some smart meters will have to be replaced because they have reached the end of their operational life of 15 years. An updated impact assessment was published in January 2014.

3: Committee of Public Accounts conclusion
The benefits from smart meters may not reach vulnerable consumers, those on low incomes and those who use prepayment meters.

Recommendation:
The department should set out how it intends to ensure vulnerable and low income consumers do not miss out on the benefits from smart metering. The department must also ensure protocols are in place to ensure that vulnerable customers are not automatically disconnected if they fall behind with payments.

3.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

3.2 The Smart Meter Consumer Engagement Strategy ensures that vulnerable, low income and pre-payment consumers benefit from the roll-out of the Programme. Under the Code of Practice, suppliers will take steps to identify specific needs at the time of arranging an installation visit, tailoring communication materials for those with specific needs, such as the visually / hearing impaired. Where appropriate, arrangements for an installation will be made with the carer or person with legal

[19] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/43042/7224-gov-resp-sm-consumer-engagement.pdf

responsibility, with the requirement that they are present during the visit. Installers will receive training that enables them to identify potential cases of vulnerability not identified in advance, which they report back to the supplier after the installation process.

3.3 The CDB are currently developing plans with respect to vulnerable, low income and prepayment consumers, including looking at opportunities for partnership working. The department's Consumer Engagement Strategy highlighted that trusted third parties, such as charities, consumer groups, community organisations, local authorities and housing associations will have an important role to play in delivering effective consumer engagement.

3.4 The technical specifications for the smart metering equipment also take account of the needs of vulnerable consumers. In particular, suppliers are required to ensure that the IHD is easy to use for a wide range of consumers including those with impairments such as impaired sight, dexterity or memory. Procedures are in place to ensure that vulnerable customers are not automatically disconnected if they fall behind with payments.

3.5 Ofgem introduced licence modifications and accompanying guidance in October 2011 requiring suppliers to identify vulnerability in a household when disconnection is being considered. Suppliers are prohibited from disconnecting customers of pensionable age who live alone or with others; people under the age of 18; and customers who are disabled or chronically ill.

4: Committee of Public Accounts conclusion

Trials so far have been inconclusive about consumers' willingness to cooperate with the installation process and to use smart meters to reduce their energy consumption.

Recommendation:

The department should identify the remaining uncertainties and address these by conducting proper trials to gather the robust evidence it needs to identify and manage the remaining risks.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 Energy suppliers are responsible for delivering smart meter installations for their customers and have lead responsibility for implementing trials from which they can learn lessons to inform a successful roll-out. The department expects suppliers to use the Foundation Stage to focus on developing solutions where installations may be technically challenging, and building support for smart metering among their customers.

4.3 A wide range of activity is being undertaken from large scale surveys of customer premises to identify, in advance, practical issues that could make an installation more difficult to deliver, in particular specific groups of consumers or communities. These trials have enabled particular types of properties to be prioritised for earlier installations, and network companies to be alerted to issues that need to be resolved ahead of a smart meter installation.

4.4 The department has carried out joint research with National Energy Action (NEA) on vulnerable consumers' experience of smart metering, which found that most customers were happy with the installation experience and felt the installer had provided them with sufficient information about the IHD; and that the majority of customers had their IHD plugged in and glanced at the traffic lights on at least a daily basis, and often more frequently[20].

4.5 The Programme has published, and consulted on, a testing strategy that is targeted at ensuring that the Data and Communications Company (DCC) services are fully tested and proven prior to initial live operations[21]. Suppliers and network companies are taking responsibility for design and test of their own in-house systems that will need to interface with the DCC.

[20] http://www.nea.org.uk/Resources/NEA/Publications/2012/Smart-for-All-Understanding-consumer-vulnerability-during-the-experience-of-smart-meter-installation.pdf

[21] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/262686/smip_system_equipment_testing_consultation_response.pdf)

[21] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/262686/smip_system_equipment_testing_consultation_response.pdf)

5: Committee of Public Accounts conclusion

The data communications service required to link smart meters to suppliers is a complex IT project that may cost as much as £3 billion.

Recommendation:

The Committee expects the department to take on board the lessons learned from other large Government IT programmes and to ensure that the contracts they place are sufficiently flexible to cater for smart grids and avoid additional costs falling to consumers.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 The Programme has been planned on the basis that the smart metering system will need to adapt to meet the changing needs of consumers and the energy industry over the long term. With the Data and Communications Company (DCC) established the Programme has procured significant flexibility for a wide range of demand scenarios, providing sufficient capacity to accommodate increases above the current foreseen messaging demand at prices secured through the competition. Mechanisms are already in place to enable the DCC and its service providers' capability to be extended through the development of new message types and services.

5.3 The flexibility that has been embedded within the DCC is complemented by functionality that will sit within the smart meters. This has been designed to enable future innovations in areas such as dynamic time-of-use tariffs, load control and home automation, and take-up of micro-generation technologies.

6: Committee of Public Accounts conclusion

The department and energy suppliers face significant challenges to install smart meters in every home in the country.

Recommendation:

The department should report to this Committee in 2013 on: its progress in addressing the issues we have raised; the reasons for any further changes in the estimated costs and benefits from proceeding with the roll-out in 2014; and its plans for monitoring and reporting on actual costs and benefits through the roll-out.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 The Government published its first annual progress report on the roll-out of smart metering on 19 December 2012 and its second annual report on 18 December 2013. The Department met with NAO representatives in Q3 2013 to discuss the scope and timing of an additional supplementary report. Given that an updated Smart Metering Impact Assessment (IA)[22] was targeted and became available on 31 January 2014, the PAC requested that the Programme provide the supplementary report after the updated IA became available. The Government provided the Committee with a further report in March 2014, alongside the updated Smart Metering Impact Assessment (IA).[23]

[22] DECC, Smart Metering Implementation Programme: Impact Assessment, published 30 January 2014: https://www.gov.uk/government/publications/smart-meter-roll-out-for-the-domestic-and-small-and-medium-non-domestic-sectors-gb-impact-assessment

[23] https://www.gov.uk/government/publications/smart-meter-roll-out-for-the-domestic-and-small-and-medium-non-domestic-sectors-gb-impact-assessment

Sixty Fourth Report

Department for Environment, Food and Rural Affairs

Flood risk management in England

Summary of the Committee's findings

Flood protection is a national priority and features on the National Risk Register of Civil Emergencies. Recently the annual cost of flood damage has been £1.1 billion and is set to rise, and 5.2 million homes are at risk of flooding. In 2010-11 the Department for Environment, Food and Rural Affairs spent £664 million on flood and coastal risk management, 95% of which went to the Environment Agency.

Background resources

- NAO report: *Flood Risk Management in England*– 2010-12 (HC1521)
- PAC report: *Preparations for the roll–out of smart meters* – 2010-12 (HC1659)
- Treasury Minute: March 2012 (Cm 8335)

Updated Government response to the Committee

There were 5 recommendations in this report. As of the last Treasury Minute (Cm 8335), 5 recommendations remained work in progress, of which 4 have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
The current strategy for long-term expenditure on flood protection anticipated a higher level of central government funding than is now likely to be available.

Recommendation:
The Agency needs to publish a new long-term strategy reflecting current funding realities in which the assumptions underlying its plans are transparent.

1.1 The Environment Agency agreed with the Committee's recommendation.

Target implementation date: Autumn 2014.

1.2 The Environment Agency is currently preparing a new Long Term Investment Strategy. It will be published in the autumn of 2014.

2: Committee of Public Accounts conclusion
It is unclear whether local contributions will be sufficient to replace funding that has previously been provided nationally.

Recommendation:
The department needs to support local authorities to bring in local partnership arrangements that are clear, transparent and not overly bureaucratic.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 The Environment Agency has published detailed guidance, case studies and other resources to support the development of successful funding partnerships.[24] The department has also published guidance on the range of funding sources available to support flood and coastal defence projects.

[24] http://www.environment-agency.gov.uk/research/planning/134732.aspx

3: Committee of Public Accounts conclusion

The Department has no way of knowing whether local flood management systems are adequate or when it should intervene.

Recommendation:

The department needs to articulate what information it will rely on to evaluate local risk management strategies and be clear about when and where it will intervene should local plans be inadequate.

3.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

3.2 Responsibilities for flood and coastal erosion risk management are clearly laid out in the Flood and Water Management Act 2010. These are further elaborated in the National Flood and Coastal Erosion Risk Management Strategy, which was published in 2011. This also sets out how decisions to intervene are made at the national level. The department has reviewed its website to clearly sign-post the allocation of responsibilities. The Environment Agency published its second annual report under section 18 of the FWMA in July 2013. This included a summary of progress by lead local flood authorities on the development of their local strategies.

4: Committee of Public Accounts conclusion

Local communities need to have confidence in the decisions made on managing flood risk but do not always feel involved in the decision-making process.

Recommendation:

The Agency needs to engage with communities and other local sources of expertise on preferred solutions, particularly as local communities are being asked to pay more towards flood protection. The Agency should look to improve its consultation processes so they support more meaningful local engagement.

4.1 The Environment Agency agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The department published an independent research report, in April 2014, on its Partnership Funding approach to flood and coastal erosion risk management projects. The report indicated that the new approach is meeting policy objectives and that Partnership Funding is enabling more projects to go ahead. Early indications suggest that 25% more projects will go ahead in the future. The evaluation suggested that guidance on how to access Government grant in aid and partnership funding should be simplified. The department has taken steps to achieve this, for example: in March 2014, the Environment Agency combined revised guidance and claiming grants, which is now published on the GOV.UK website.

4.3 The Environment Agency supports local teams to capture the long term vision, engagement objectives and outcomes achieved in priority communities for flood and coastal risk management. Each area has identified up to three priority communities and this information is being shared across the Environment Agency's internal area teams to help facilitate the sharing of best practice and to support more meaningful local engagement.

4.4 The Environment Agency published its Challenges and Choices consultation in June 2013. This consultation sought views on how the water environment should be protected and improved to inform new river basin management plans. The consultation ran for six months attracting more than 800 responses. The Environment Agency published its response to the consultation in April 2014, outlining how the responses will be taken into account in the consultation about proposed updates to the River Basin Management Plans, This further consultation will run for six months from September 2014.

5: Committee of Public Accounts conclusion

In light of speculation about the levels of funding available to provide effective flood protection, there is uncertainty over the future availability and affordability of insurance cover for properties in risk areas.

Recommendation:

The Government needs to reach an agreement with the insurance industry urgently and work more closely with the industry to ensure insurance cover is both available and affordable.

5.1 The Government partially agreed with the Committee's recommendation.

Recommendation implemented.

5.2 The Government and the Industry reached an agreement on the future of flood insurance in June 2013. This required changes to legislation, which have been included in the Water Act 2014.

Sixty Fifth Report

Department for International Development

DFID: transferring cash and assets to the poor

Summary of the Committee's findings

The Department for International Development's transfer programmes deliver cash, food and assets, such as livestock, directly to people living in poverty. Transfers can be used to tackle a range of issues, such as hunger and malnutrition, or access to health and education services, in a variety of contexts. In 2010-11, the department spent £192 million on social protection programmes, which includes its transfer programmes.

Background resources

- NAO report: *Transferring cash and assets to the poor* Report - Session 2010-12 (HC 1587)
- PAC report: *DFID: Transferring cash and assets to the poor* - Session 2010-12 (HC 1695)
- Treasury Minute: March 2012 (Cm 8335)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8335), 2 recommendations were noted (1 recommendation noted as work in progress) and 1 recommendation was implemented. 4 recommendations overall remained work in progress, all of which have now been implemented, as set out below.

2: Committee of Public Accounts conclusion
The department does not have an overarching strategy for the use of transfer programmes even though these programmes have positive short-term impacts for recipients.

Recommendation:
The department should produce a clear strategy for the use of transfers, including expected future levels of spending and develop a framework to ensure decisions about their use in each priority country are taken on a consistent basis.

2.1 The Government noted the Committee's recommendation.

Recommendation implemented.

2.2 The department agreed to look further at the DFID priority countries where there were no plans for significant transfer programmes. It is also supporting transfers through humanitarian and rural road building programmes in Afghanistan, Somalia and Nepal. The department has maintained its original decision not to support major transfer programmes in the remaining priority countries because of local political and practical considerations. It will keep this under review as and if local circumstances change.

4: Committee of Public Accounts conclusion
The department has a limited understanding of the long-term impacts of its transfer programmes.

Recommendation:
When it sets up new programmes, the department needs to put in place measures that will enable it to assess the long-term impacts. It should do appropriate research and evaluation to track whether the benefits are sustained for those people and communities who no longer receive transfers.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The department published evaluation guidance for transfer programmes in June 2012 which asks for long-term impacts to be measured in cash and asset transfer programmes[25]. Long-term impacts have already been measured in Bangladesh, Ethiopia and Kenya. Measuring long-term impacts requires follow-up surveys, preferably carried out by government monitoring and evaluation systems. The department is supporting the building of monitoring and evaluation systems in Ghana, Kenya, Pakistan, Rwanda, South Sudan, Uganda and Zambia. Measuring long-term impacts will be considered, in addition to existing plans to measure short-term impacts, for programmes in India, Mozambique, Nigeria, the Occupied Palestinian Territories, Yemen and Zimbabwe.

5: Committee of Public Accounts conclusion
The department's ability to evaluate the value for money of transfers is undermined by gaps in data on cost and performance.

Recommendation:
The department should obtain sufficient data to compare cost-effectiveness across its portfolio which will allow it to reduce administrative costs, where there is scope to do so, and improve value for money.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 The department published revised value for money guidance for transfer programmes in April 2013, in consultation with the National Audit Office, taking account of the Committee's recommendations.[26] The department has used this in the 14 countries where it has major cash and asset transfer programmes to improve its analysis in the following areas:

- measuring administrative cost as a proportion of total programme cost – this is now done in all 14 countries on a consistent basis;
- measuring indirect costs – this is now done in 9 out of the 14 countries (with additional work on consistent definitions); and
- cost benefit analysis for programmes – this is done in 11 out of the 14 countries and will soon be done in 2 more.

5.3 The department has written to the Committee as requested giving more detail on implementing this recommendation.

6: Committee of Public Accounts conclusion
The department has not assessed what level of individual transfers will provide the best return on its investment.

Recommendation:
The department should routinely assess the benefits generated by different transfer amounts and gather evidence from pilots where possible.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 The department's value for money guidance for transfer programmes published in April 2013 recommends reviews of transfer levels are carried out at different stages of programmes. Transfer values are being assessed in Bangladesh, Ethiopia, Ghana, India, Kenya, Mozambique, Nigeria, Pakistan, Rwanda, Zambia and Zimbabwe. The department is requiring all its country offices to assess transfer values where major transfer programmes are being supported.

[25] http://www.evidenceondemand.info/evaluating-social-transfer-programmesguidance-for-dfid-country-offices
[26] https://www.gov.uk/government/publications/guidance-for-dfid-country-offices-on-measuring-and-maximising-value-for-money-in-cash-transfer-programmes

Sixty Eighth Report
Ministry of Defence
Major Projects Report 2011

Summary of the Committee's findings

The Ministry of Defence continues to struggle with managing its equipment programme on an affordable basis, resulting in the cancellation or deferral of major projects and a damaging impact on value for money. In 2010-11 the forecast costs to complete the 15 largest defence projects increased by £466 million. Since their original approvals the estimated costs of these 15 projects have increased by £6.1 billion and now stand at approximately £60 billion (an 11.4% increase). In aggregate these 15 projects are forecast to be completed 322 months later than originally planned.

Background resources

- NAO report: *The Major Projects Report 2011* - Session 2010-12 (HC 1501-1)
- PAC report: *The Major Projects Report 2011* - Session 2010-12 (HC 1678)
- Treasury Minute: April 2012 (Cm 8347)

Updated Government response to the Committee

There was 1 conclusion and 5 recommendations in this report. As of the last Treasury Minute (Cm 8347), 5 recommendations remained work in progress, all of which have now been implemented, as set out below.

2: Committee of Public Accounts conclusion
Decisions to save cash in the short term – deferring spending and reducing equipment numbers – have added significant long-term costs to the defence programme and so represent poor value for money.

Recommendation:
The department must take account of the long-term cost and capability implications of all the decisions it takes, including the impact on other areas of the defence budget.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 As a direct result of the action that the department took in budget setting 2012 to place the whole Defence Programme on a stable and affordable footing, the department has not made any significant reductions in the scope of the Core Equipment Plan in order to maintain affordability and stability of the programme. This means that the proportion of the departmental budget allocated to equipment remains broadly in line with previous plans at 44% over the decade.

3: Committee of Public Accounts conclusion
Despite the Strategic Defence and Security Review and two subsequent exercises to find more savings, the defence budget only remains broadly in balance.

Recommendation:
Although the department told the Committee that it was in discussions with the NAO on the Equipment Plan, it is yet to provide it to the NAO to review. It should do so urgently, so that the NAO can assess whether the department will live within its means.

3.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

3.2 The 2012 Defence Equipment Plan Statement was published in January 2013 alongside the NAO review of the affordability of the Plan. The department worked closely with the NAO on a review of the second Statement for 2013, which was published with an NAO report in February 2014.

4: Committee of Public Accounts conclusion

The department is basing its current 10-year Equipment Plan on Treasury planning assumptions that are now likely to prove over-optimistic.

Recommendation:

To better understand the implications for defence of further budget cuts the department should work with the Treasury to consider and assess the impact of a range of lower funding assumptions.

4.1 The Government partially agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The department plans on the basis of the Comprehensive Spending Review 2010 and Spending Round 2013 settlements, as agreed with the Treasury. The Spending Round 13 Settlement included a commitment to 1% real terms annual growth in the Equipment Plan, from a 2015-16 baseline, providing investment in the vital equipment needed to deliver Future Force 2020.

4.3 Whilst the department recognises the economic uncertainties, this direction remains the best basis for future planning for the equipment programme. Nonetheless, the department remains in close touch with the Treasury over potential overall future funding scenarios. This close relationship will help ensure that the department plans prudently for the future, recognising that circumstances may change and that between now and 2020, there will be further Spending and Strategic Defence and Security reviews.

5: Committee of Public Accounts conclusion

On very large projects the taxpayer has too often had to pick up the bill when the risk, complexities and therefore costs have been underestimated.

Recommendation:

The department needs to be much better in managing its contracts by identifying and managing risks. The department should better understand their contractors' costing assumptions to ensure a sufficiently robust challenge to those assumptions.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 The department has significantly improved the capability of its Cost Assurance and Analysis Service (CAAS), a function independent of equipment project teams. A transformation programme was completed in March 2013, which has increased the organisation's size from 290 to 460 and significantly improved its capability through targeted up-skilling in key areas of Cost Forecasting, Cost Engineering and Cost Accountancy.

5.3 CAAS work is focused on the largest and most significant projects and programmes, and independent cost estimates are being maintained for key projects in the Core Equipment Procurement Programme. Independent cost estimates were also developed for some of the highest value projects in the Equipment Support Programme. Additionally, CAAS has targeted more resources on the area of non competitive contract costing and management. Private sector expertise, via KPMG, has been brought in to augment the CAAS team and improve ways of working.

6: Committee of Public Accounts conclusion

The department has still not properly addressed our previous concerns about the high turnover and multiple responsibilities of Senior Responsible Owners.

Recommendation:

In future, the Committee expects the department to be able to show that the turnover of SROs has slowed and that it is increasingly rare for an SRO to oversee too many projects.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 Following Lord Levene's report and to support Defence Reform Initial Operating Capability on 1 April 2013, the department introduced updated SRO policy and procedures specifically considering tenure related to key programme milestones, span of control and linking the appointment to responsibilities and accountabilities outlined in the new Operating Model as a result of the Financial Military Capability Transformation programme.

6.3 From 1 April 2013, these policies and processes have been used to manage new SRO appointments for Capability programmes in the Front Line Commands (and Head Office Strategic Programmes). For the department's most significant Capability programmes the appointments (directly by the PUS, or the relevant TLB holder, approved by PUS) have been made taking account of tenure issues and milestones to be achieved and the number of SRO roles proposed for the each SRO. TLB holders are required to take similar judgements for all other programmes.

6.4 Lord Levene's 2nd Annual Progress Report dated November 2013 stated there is now some evidence that longer tour lengths may be becoming the standard for senior military and civilian posts at two-star and above but he highlighted that this needs to become the norm.

Seventieth Report

Department for Education

Oversight of special education for 16-25 year olds

Summary of the Committee's findings

In 2009-10, the Department for Education spent around £640 million on special education support for 147,000 students aged 16-25. The system for delivering and funding post-16 special education is complex and devolved, and students may receive post-16 special education support in schools, further education colleges or independent specialist providers, each of which is funded differently.

Most young people with special educational needs make their own choice of where to study, while responsibility for provision and for placing around 30,000 students with higher-level needs is devolved to local authorities. The number of young people with special educational needs in post-16 education has grown in recent years, making it all the more important that the department makes the best possible use of the funding available for these students.

Background resources

- NAO report: *Oversight of special education for young people aged 16-25* - Session 2010-12 (HC 1585)
- PAC report: *Oversight of special education for 16-25 year olds*- Session 2010-12 (HC 1636)
- Treasury Minute: April 2012 (Cm 8347)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8347), the department disagreed with 1 recommendation. 5 recommendations remained work in progress, of which 2 have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
It is deeply troubling that almost one third of young people with a Statement at age 16 are not in any form of education, employment or training two years later.

Recommendation:
The department should identify those local authorities where participation rates for students with special educational needs are lagging, and investigate and address the reasons for significant differences in performance.

1.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

1.2 The department recently published data showing that 85.9% of 16- and 17-year olds with a learning difficulty or disability were in education or training at the end of 2013 compared with 90.0% of those without. These figures were disaggregated by Local Authority (LA) and showed a wide variation in performance at local level, due in part to some LAs failing to track young people's participation.

1.3 Ministers have agreed that the immediate priority is to tackle those LAs that are not effectively tracking young people's participation. The department can then identify LAs who are performing poorly for students with special educational needs (SEN). The departmental Minister for Skills and Enterprise has written to local authorities reminding them of their duties with regards to young people's participation and the importance of robust tracking.

2: Committee of Public Accounts conclusion
The system for delivering and funding post-16 special education is complex, and parents and young people are not provided with the information they need.

Recommendation:
The department should ensure that the local offers outlined in the Green Paper give parents clear understanding about the provision young people are entitled to, how it can be accessed, and where they can find information on provider performance.

2.1 The Government agreed with the Committee's recommendation.

Target implementation date: December 2014.

2.2 The Children and Families Act 2014 requires each LA to publish a local offer, from September 2014, setting out information about provision for children and young people with SEN or a disability. This will provide greater transparency to parents and young people about the provision available to them. LAs are also required to consult parents and young people when developing and reviewing the local offer.

2.3 The local offer must include education and training provision (including Apprenticeships), health and care provision, and provision to help children and young people prepare for adult life (for example: finding employment). Regulations set out the content of the local offer, including a wide range of information about each educational or training provider. This must include, among other things, information about how the effectiveness of their special educational provision will be assessed and evaluated.

3: Committee of Public Accounts conclusion
The quality of assessments of students' needs is variable.

Recommendation:
The department must ensure that its proposed replacements for these two assessments, 'Education, Health and Care Plans' for young people aged 0-25, are carried out on a timely basis by independent professionals to clear and consistent national standards, and are supported by adequate funding.

3.1 The Government partly agreed with the Committee's recommendation.

Target implementation date: September 2014.

3.2 From September 2014, the Children and Families Act 2014 requires local authorities, working closely with their health service partners, to carry out assessments for EHC plans. Based on learning from the SEN Pathfinders, assessments have not been made the responsibility of independent professionals. Legislation requires authorities to secure advice from a range of professionals and ensure that assessments for EHC plans are person-centred, focused on outcomes and involve parents, children and young people at every stage, taking account of their views, wishes and feelings.

3.3 Regulations and statutory guidance set clear timescales for completion of the new assessment and plan process (20 weeks compared to the 26 allowed currently for statements) and provide a clear, national framework for the content of EHC plans without setting potentially unhelpful national standards. Funding is provided to support implementation, Independent Supporters and identified new burdens, and through the school and post-16 funding system.

4: Committee of Public Accounts conclusion
The department does not know how much money is actually spent on supporting young people over the age of 16 with special educational needs.

Recommendation:
The department is considering proposals to reform the funding systems, and in doing so it should commit to publishing robust data on special education funding and expenditure, at local authority and national level.

4.1 The Government partly agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The Government disagreed with the Committee's recommendation because funding for young people with SEN is not ring-fenced and expenditure on SEN at the level of individual schools and colleges is not collected. The Government accepts, however, that any information about SEN funding and expenditure that is available should be published so that costs are more transparent.

4.3 The amount of high needs place funding allocated to institutions is published. An element of local authorities' dedicated schools grant allocation is funding for high needs, including the top-up funding that authorities give institutions for students whose SEN support costs more than £6,000. Information about these high needs allocations for 2014-15 was published in March 2014.

4.4 In September 2013 the Department for Education published information about local authorities' planned expenditure on education and children's services for 2013-14, including what they planned to spend on top-up funding and on SEN support services.

5: Committee of Public Accounts conclusion

The way students' progress is measured does not allow the long-term impact of special education to be assessed, or the performance of different types of provider to be compared.

Recommendation:

The Committee expects the department to extend its current analysis of students' performance to those undertaking lower level qualifications, and to use information on students' destinations to help monitor performance against its longer-term objectives at a national level.

5.1 The Government agreed with the Committee's recommendation.

Target implementation date: January 2018.

5.2 The response to the consultation on *Reforming the accountability system for 16-19 providers*[27] was published on 27 March 2014. This sets out the introduction of a range of new measures which will report on the performance of learners on a consistent basis across different types of providers. These new measures will show study and attainment of qualifications below Level 3, who disproportionately are more likely to have special needs or disabilities.

5.3 The reforms include headline measures showing study and attainment of Level 2 qualifications, and how well institutions help students progress from one level to the next. They also include destination measures at age 16 and 18. Together with contextual information, such as the number of students with SEN or disabilities, this information will enable the department and the public to compare the performance of different institutions. The new measures will be phased in between 2015 and 2018.

[27] https://www.gov.uk/government/consultations/16-to-19-accountability-consultation

Seventy First Report

Department for Transport

Reducing costs in the Department for Transport

Summary of the Committee's findings

As part of the 2010 Spending Review, the Government announced a significant reduction in the budget of the Department for Transport, with spending due to be 15% lower by 2014-15, in real terms, than the department's £12.8 billion budget in 2010-11. While some of the reductions in capital spending were reversed in the 2011 Autumn Statement, the department still has significant expenditure reductions to manage including their own administrative budget being cut by a third. The Committee commends the department for preparing for the Spending Review early and making a systematic assessment of budget reductions, supported by generally good analysis, but the Committee still has concerns that the department needs to address.

Background resources

- NAO report*: Reducing costs in the Department for Transport* - Session 2010-12 (HC 1700)
- PAC report: *Reducing costs in the Department for Transport* - Session 2010-12 (HC 1760)
- Treasury Minute: May 2012 (Cm 8352)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8352), the department disagreed with 3 recommendations. 3 recommendations remain work in progress, as set out below.

1: Committee of Public Accounts conclusion

The department has planned earlier than other departments, but it has still to articulate a comprehensive long-term strategy against which to judge the relative economic and social impacts of its decisions in the 2010 Spending Review and the 2011 Autumn Statement.

Recommendation:

The department should finalise and publish its strategy so that taxpayers can see how individual decisions relate to the department's overarching long-term objectives, and how investment choices between alternative forms of transport are made.

1.1 The Government agreed with the Committee's recommendation.

Target implementation date: July 2015.

1.2 The department agrees that long-term strategy and planning are important and has published a number of strategic papers setting out how its plans will deliver against long-term transport objectives. For example: the department has set out its strategy on high speed rail, and has published a command paper on rail and a bus strategy. The department will respond to the Cook Review, which included recommendations on producing a long-term plan for the strategic road network, and the department also has plans to publish a policy framework for aviation. The department will publish further details of its approach to transport strategy in its departmental Business Plan.

5: Committee of Public Accounts conclusion

The department does not have a full understanding of the likely impact of reducing road maintenance budgets.

Recommendation:

The department should monitor road conditions closely with a view to avoiding increased future costs; and it should publish regular assessments which detail where it sees particular risks and how it plans to mitigate them.

5.1 The Government agreed with the Committee's recommendation.

Target implementation date: July 2015.

5.2 The department is responsible for the Strategic Road Network, while local roads are the responsibility of local authorities. For the Strategic Road Network, the Highways Agency has mechanisms in place, which include road condition surveys, asset management plans and long term investment scenarios based on performance. These regular assessments will be reported through the business planning and annual reporting processes in the department and the Agency. The department will also ensure that the Agency continues to monitor and report on the impact of the investment in maintenance, and will request regular updates. In-year and future costs will be balanced against asset condition and road user experience.

5.3 The business plans of the department and the Agency already contain indicators that report annually and these will provide transparent and consistent trend information on the amount of public money spent on maintaining and operating the network, and on the condition of the strategic road network. Local roads are the responsibility of local highway authorities and will use their knowledge and local accountability to prioritise expenditure across all their services, including their local roads. However, the department works with other departments to help improve transparency of data relating to local highways maintenance to strengthen local accountability.

6: Committee of Public Accounts conclusion

The department has inadequate contingency plans for how it will deal with potential threats to its plans for cost reduction.

Recommendation:

The department should develop contingency plans for how it will respond to a range of potential risk scenarios, including fluctuating inflation and failure of parts of the business to deliver their share of efficiency savings.

6.1 The Government agreed with the Committee's recommendation.

Target implementation date: July 2015.

6.2 The department will update its contingency plans to reflect the latest assessment of financial risk in response to the Chief Secretary's letter of 23 April 2012, to all departments, setting out a new framework for improving spending control. The department manages risk in all areas of its business, and reports top level risks to the Board on a programme-by-programme and high-level cross-cutting basis. The department's annual corporate planning process enables budgets to be re-visited within economic circumstances, taking account of risks – such as the impact that changing RPI has on both the rail financing cost and on rail fares.

Seventy Second Report

Department of Health

Services for people with neurological conditions

Summary of the Committee's findings

Two million people in the UK have a neurological condition, including for example those with Parkinson's disease, motor neurone disease and multiple sclerosis. The figure excludes people with migraine. In 2005, the Department of Health published the National Service Framework for Long-term Conditions to improve services for people with neurological conditions. While there have been some improvements, such as reduced waiting times, services remain well below the quality requirements set out in the Framework.

Background resources

- NAO report: *Services for people with neurological conditions* - Session 2010-12 (HC1586)
- PAC report: *Services for people with neurological conditions* - Session 2010-12 (HC1759)
- Treasury Minute: April 2012 (Cm 8347)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8347), the department disagreed with 2 recommendations. 4 recommendations remained work in progress, of which 2 recommendations have been implemented and 2 recommendations have not been implemented, as set out below.

2: Committee of Public Accounts conclusion

The department lacks the data to measure the effectiveness of services for people with neurological conditions.

Recommendation:

The department should develop a neurological data set covering resources, services and outcomes, which should include linking existing health and social care data using the patient's NHS number. Key indicators from the data set, including emergency admissions and readmissions for neurological conditions, should be included in the NHS and Adult Social Care Outcomes Frameworks with appropriate targets for reduction.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 The department passed responsibility on the delivery of the dataset to NHS England as part of its new responsibilities for determining the overall national approach to improving clinical outcomes from healthcare services in line with the Health and Social Care Act 2012. NHS England subsequently commissioned the dataset from the Health and Social Care Information Centre (HSCIC) and published the *Compendium of Neurology Data, England - 2012-13* in March 2014. The report presents the first systematic attempt to collect overall activity and outcome data about neurology services in England, with further work to analyse and interpret this before conclusions can be drawn.

2.3 The NHS and the Adult Social Care Outcomes Frameworks are reviewed each year to make sure that they are measuring the right outcomes in the most effective way. Once the neurology dataset is established, the department can look at whether it provides any further new data that could be added into either Outcomes Framework. In the meantime, indicators 3a and 3b in the NHS Outcomes Framework will capture patients with neurological conditions - emergency admissions for acute conditions that should not usually require admission; and emergency re-admissions within 30 days of discharge from hospital.

3: Committee of Public Accounts conclusion
The quality of services for people with neurological conditions varies around the country, with some areas having insufficient expertise both in hospitals and in the community.

Recommendation:
The department should set out in its reply how it will ensure all people with neurological conditions have appropriate access to services. This should include how the department will drive improvements through the quality of the NHS Standard Contract; the Commissioning Outcomes Framework; the Joint Strategic Needs Assessments; and the Health and Wellbeing Boards.

3.1 The Government agreed with the Committee's recommendation.

Recommendation not implemented.

3.2 It is no longer within the remit of the department to direct clinical policy in NHS. Since 1 April 2013, NHS England has been responsible for determining the overall national approach for improving clinical outcomes from healthcare services, including for neurological conditions.

3.3 Local NHS commissioners have the primary responsibility for determining what steps are needed to improve the health of people with neurological conditions. To support local commissioners, the National Institute for Health and Care Excellence has published Quality Standards covering epilepsy in adults and children and a number of other Quality Standard topics have been referred for development including: motor neurone disease; multiple sclerosis; neurological problems; and Parkinson's disease.

3.4 At a National Level, NHS England has published service specifications for specialised neurology services for adults and children. Developed by specialised clinicians, commissioners and expert patients, these set out what NHS providers need to have in place for specialised care, providing equity of access to safe and effective services.

5: Committee of Public Accounts conclusion
Individual care is often poorly coordinated, with only 22% of people with Parkinson's disease, multiple sclerosis and motor neurone disease having a personal care plan.

Recommendation:
The department should set out in its Commissioning Outcomes Framework that every person with a neurological condition should be offered a personal care plan, covering both health and social care. The evidence suggests that this is best done by a single professional, for example a specialist nurse or care coordinator.

5.1 The Government agreed with the Committee's recommendation.

Recommendation not implemented.

5.2 Decisions regarding the indicators to be included in the Clinical Commissioning Groups Outcome Indicator Set (CCGOIS), which was previously called the Commissioning Outcomes Framework, are a matter for NHS England. However, through the Mandate to NHS England we have set an objective for everyone with a long-term condition, including neurological conditions, to be offered a personalised care plan by 2015. NHS England is currently developing practical tools and commissioning guidance to support the delivery of this Mandate commitment.

6: Committee of Public Accounts conclusion
The Quality Standards planned by the National Institute for Health and Clinical Excellence (NICE) will not cover all neurological conditions.

Recommendation:
The department should instruct NICE to develop a generic Quality Standard covering other neurological conditions.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 The Quality Standard topic ‘Neurological problems’ has been referred to NICE for development. NHS England and NICE have an annual scheduling process to determine when referred topic areas can be developed into Quality Standards and ‘neurological problems’ has not been scheduled for development to date.

Seventy Fourth Report

Department for Culture, Media and Sport

Preparations for the 2012 London Olympic and Paralympic Games

Summary of the Committee's findings

The Olympic Games are a huge endeavour against a fixed deadline and under the eyes of the world. The Government's preparations and management of the £9.3 billion Public Sector Funding Package are led by the Department for Culture, Media and Sport. The department works with a wide range of bodies including the Olympic Delivery Authority, which is responsible for the construction of new venues and infrastructure required for the Games, and the London Organising Committee of the Olympic and Paralympic Games (LOCOG), which is responsible for staging the Games.

Background resources

- NAO report: *Preparations for the London 2012 Olympic and Paralympic Games: progress report* - Session 2010-12 (HC 1596)
- PAC report: *Preparations for the London 2012 Olympic and Paralympic Games* - Session 2010-12 (HC 1716)
- Treasury Minute: April 2012 (Cm 8347)
- Treasury Minute: June 2013 (Cm 8652)

Updated Government response to the Committee

There were 5 recommendations in this report. As of the last Treasury Minute (Cm 8347), the department disagreed with 3 recommendations. 2 recommendations remained work in progress, all of which have now been implemented, as set out below.

2: Committee of Public Accounts conclusion
Operational and financial risks have emerged in areas of LOCOG's responsibilities. This is important because the Government is highly dependent on LOCOG to deliver successful Games and is spending over £800 million through LOCOG.

Recommendation:
The department should set out what more it is going to do to satisfy itself that LOCOG's plans are adequate, complete, and are now fully-costed.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 The key lessons are that more time should be spent on developing and checking an initial detailed total budget; risk needs to be properly understood and its financial implications carefully managed; there need to be strong incentives and controls to ensure savings are maximised. It is essential to have the right individuals with the right skills in the right roles at the right time. Quick decisions and robust but flexible governance structures are critical to effectiveness in a multi-funder multi-agency world. Transparency is key to delivering to time and budget. These conclusions have been conveyed through a high level seminars and discussions.

2.3 Lessons from the Olympic Delivery Authority's management of the large scale Olympic construction and infrastructure project have been passed to the Major Projects Authority (MPA) which hosts the ODA Learning Legacy website.[28] The aim is that the many important lessons from the successful delivery of the Olympics are applied to other major projects. MPA is examining options for a digital "one stop shop" platform that stores lessons learnt from a wide range of projects in an easily searchable resource library. This would ensure best practice is disseminated widely. MPA are also looking at how best practice from the private sector can be applied to Government projects.

[28] http://learninglegacy.independent.gov.uk/

5: Committee of Public Accounts conclusion
It is not clear who will be accountable for the delivery and coordination of the promised Olympic legacy once the Games are over.

Recommendation:
The department should set out precisely who will be accountable to Parliament for delivering the legacy benefits from the significant public spending on the Games, and how various legacy strands will be coordinated after the Games.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 The Government has already committed to producing annual updates to the legacy plan published in December 2010. The Cabinet Office's Olympic and Paralympic Legacy Unit drives and monitors delivery of the joint UK Government and Mayor of London legacy programme. The unit supports Lord Coe as the Prime Minister's Olympic and Paralympic Legacy Ambassador; supports DCMS Ministers as lead Ministers on the Games' legacy; services the Cabinet Committee on Olympic and Paralympic Legacy, chaired by the Prime Minister; monitors delivery of the legacy plans of individual departments and part of the GLA family; and supports communication of the Government and Mayor's legacy plans and achievements.

5.3 The Games' legacy is a long-term programme. Elements are already subject to separate public reporting. For example: the Active People survey provides six-monthly updates on participation in sports in England and the Minister for Sports and Tourism has set out his ten-point plan for a sporting legacy on which he provides regular updates to Parliament. The Government recognises the need for clear information to be provided publicly about the legacy, although the format of reporting may change over time.

5.4 The Government is committed to ensuring that there is a long-term legacy of volunteering, which continues following the 2012 Games and that this can be seen at all levels of sport and community organisations. In 2013 the *"Join In"* initiative will build on the expertise and enthusiasm of the 2012 volunteers using £2.1 million from Cabinet Office and a further £1.5 million from the Big Lottery Fund and additional corporate sponsorship to run 10,000 events in the anniversary period between 27 July and 9 September 2013, attracting 500,000 people and signing up 100,000 volunteers.

5.5 The Government has established initiatives to build on the spirit of Games-time volunteering and plans to publish a strategy in November 2013 outlining the achievements and plans to maintain a lasting volunteering legacy. This will include the on-going work to maintain the legacy of volunteering. The Government has invested £155 million in "*Places People Play,*" a programme which includes themes to inspire volunteering and to encourage thousands of people to make sport happen in their area. Within that, the "*Sport Makers*" programme is recruiting tens of thousands of new volunteers, aged 16 and over to organise and lead community sporting events across the UK. Over 50,000 people have registered so far.

5.6 To maintain the momentum from London 2012, the Government will encourage the organisers of major sporting events to use volunteers at these events wherever possible. Similarly, the Scottish Government will be relying on volunteers for the 2014 Commonwealth Games in Glasgow. Further initiatives are supported by the Big Lottery Fund.

Seventy Fifth Report
Ministry of Justice
Financial Management

Summary of the Committee's findings

The Ministry of Justice has improved its financial management since the Committee's last report in January 2011. Many of the Ministry's processes have improved, including modelling and forecasting, but the Ministry has not achieved significant improvements in the delivery of key financial outcomes.

Background resources

- NAO report: *Ministry of Justice: Financial Management Report 2011* - Session 2010-12 (HC 1591)
- PAC report: *Ministry of Justice Financial Management* - Session 2010-12 (HC 1778)
- Treasury Minute: July 2012 (Cm 8416)

Updated Government response to the Committee

There was 1 conclusion and 5 recommendations in this report. As of the last Treasury Minute (Cm 8416), the department disagreed with 1 recommendation. 4 recommendations remained work in progress, all of which have now been implemented, as set out below

2: Committee of Public Accounts conclusion
The Ministry again failed to deliver its departmental accounts on time and the Legal Services Commission's annual accounts and HM Courts Service's Trust Statement did not receive unqualified audit opinions. This is unacceptable and undermines public confidence in the Ministry's stewardship of funds.

Recommendation:
The Ministry should develop a comprehensive project plan for delivering the resource accounts on time which includes key interdependencies and milestones. This should be robustly challenged by its audit committee on a continuing basis. The Ministry should also set out a clear plan to reduce errors in legal aid payments and remove the disclaimer on the Trust Statement account.

1.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

1.2 In 2012-13, the Ministry was the first Government department to lay its accounts in Parliament ahead of the Treasury deadline. The Legal Aid Agency (LAA) continues to reduce the errors in legal aid payments, which resulted in the Legal Services Commission (LSC) receiving an unqualified audit opinion from the NAO in 2012-13.

1.3 The 2011-12 Trust Statement was disclaimed in three areas. Significant progress has been made to resolve two of those areas which allowed the NAO for the first time to issue a true and fair opinion on the 2012-13 Trust Statement. The audit opinion was qualified in respect of Fixed Penalty Notices. A programme of work is underway to resolve the remaining reconciliation issues. Further work is also being undertaken to improve the underlying accounting systems and processes and bring the timetable forward.

3: Committee of Public Accounts conclusion
The Ministry does not have a proper basis for its current fee structure in the civil courts. It continues to under recover costs in the family courts and over recover probate fees.

Recommendation:
In developing a new fee structure designed to move to full cost recovery, the Ministry should monitor the impact on access to justice and ensure that it maximizes efficiency savings within the organization before increasing fees for individuals who need to use the courts.

3.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

3.2 The department maximised efficiency savings by restructuring operations. The Court Estate Reform Programme has reduced overheads and running costs. Total cumulative gross benefits of £93.6 million are expected over the spending review period; savings from court closures of £60.6 million; and gross capital proceeds of £33 million from the sale of buildings.

3.3 A new fee remission scheme commenced in October 2013, ensuring that individuals on lower incomes are able to access court or tribunal services free of charge or at a reduced rate, helping to ensure access to justice. A new fee structure has been developed for implementation in April 2014. In the proposed regime, those who use the courts and who can afford to pay will make a greater contribution towards their cost, so that nearly all of the cost of the civil courts is met through fees.

4: Committee of Public Accounts conclusion

Amounts owed under confiscation orders have risen dramatically and the Ministry acknowledges that up to 60% of these sums may never be recovered. No one body has overall responsibility for overseeing collection of confiscation orders but all the sums are accounted for in the Ministry's financial statements.

Recommendation:

The Ministry, through the new cross-Government board, should take steps to set responsibilities for raising, collecting and accounting for confiscation orders to incentivise collection agencies to maximise sums collected.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The Home Office is responsible for confiscation policy. The ministerial Criminal Finance Board, (formerly the Asset Recovery Board) is responsible for improving collection rates. The Ministry is working closely with the Home Office to address process inefficiencies and weaknesses within the Proceeds of Crime Act 2002, and to develop policy for cancellation of unviable orders. Funding has been found for enhancements to the Joint Asset Recovery Database to improve case management and data quality.

4.3 Performance has improved year on year in respect of amounts collected; from £105.6 million in 2009-2010 to £133.1 million in 2012-13. By the end of February 2014, £125.1 million had been recovered, compared to £121.5 million for the same period in the previous year. This represents a further 3% increase overall and confirms that nationally, all agencies are on course to have another record breaking year in terms of amounts collected.

5: Committee of Public Accounts conclusion

Over the last five years, whilst the Ministry has increased the monies collected through fines, the amount outstanding has increased even more.

Recommendation:

HM Courts and Tribunals Service needs to improve its collection rates and should focus in particular on the timeliness of collection given that it is easier to collect fines nearer the time of imposition.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 The department has achieved significant and sustained improvement in the collection of and administration of financial impositions. From £282 million in 2010-11, the total for 2012-13 rose to £284 million. Figures for the current year to date show that the trend has been sustained: £262 million for 2012-13 has risen to £264.8 million for 2013-14. Collection times have also improved, with the proportion of accounts closed within 12 months of imposition increasing from 54% in 2011-12 to 69% in 2013-14. The department is working to appoint a commercial provider to take over the compliance and enforcement service.

Seventy Sixth Report

Department for Business, Innovation and Skills

Reducing bureaucracy in further education in England

Summary of the Committee's findings

Further education is delivered by over 1,000 different providers, mainly further education colleges or independent training businesses. They offer a wide range of education and training, which is funded through different government bodies. The Department for Business, Innovation and Skills and the Skills Funding Agency provide funding for further education students aged 19-plus. The Department for Education and the Young People's Learning Agency fund further education for 16-18 year-olds. These two departments provided £7.7 billion in funding to the sector during the 2010-11 academic year. Further education providers also deliver training for people in prisons, unemployed people and some offer higher education as well.

Background resources

- NAO report: *Reducing Bureaucracy in further education in England* – Session 2010-12 (HC1590)
- PAC report: *Reducing Bureaucracy in further education in England* - Session 2010-12 (HC1803)
- Treasury Minute: May 2012 (Cm 8352)

Updated Government response to the Committee

There were 4 recommendations in this report. As of the last Treasury Minute in May 2012 (Cm 8352), 4 recommendations remained work in progress. 3 recommendations have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
There is no clear accountability for reducing bureaucracy in the further education sector.

Recommendation:
The department must set out, in its accountability statement, its responsibility for bringing together the drive to reduce bureaucracy across the whole further education sector.

1.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

1.2 The department wrote to the Committee in July 2012 explaining that because of the autonomy and independence of the sector, there is no accountability statement. At the same time, the department shared its Simplification Plan, which brings together the actions and initiatives from Government bodies and Agencies that impose burdens on the sector. Many actions in the plan have been completed and the department continues to press for further simplification and removal of bureaucratic burden. Progress has been made in removing intermediary bodies and simplifying the FE landscape. In addition, significant steps have been taken to streamline funding and financial systems; data; communications; inspection; and provider and employer management.

2: Committee of Public Accounts conclusion
Data, funding and assurance requirements on the further education sector could still be better coordinated.

Recommendation:
The department should establish a cross Government approach to harmonize the funding, assurance and information requirements placed on providers into a single system which is capable of meeting the needs of all public sector bodies that interact with providers. Further education representatives and providers should have a leading role in the design and implementation of changes.

2.1 The Government agreed with the Committee's recommendation.

Target implementation date: 2015.

2.2 The department remains committed to a single funding assurance system as set out in *'New Challenges, New Chances'* (December 2011). Initiatives in this area are being addressed through the Simplification Plan, which sets out the steps being taken across Government and its Agencies, including the Office of Qualifications and Examinations Regulation (Ofqual) and the Higher Education Funding Council for England (HEFCE), to remove bureaucracy and ensure that time and resources are invested in frontline services, rather than administration.

2.3 The department has established a structured approach to assessing the burden of new policy design and delivery on all post-16 providers. This is overseen by a Stakeholder Panel of sector representatives which meets quarterly. This Panel acts as a critical friend to policy officials across the department, the Department for Education and their agencies. It encourages a structured consideration of the impact of new policies and policy changes on the sector.

3: Committee of Public Accounts conclusion

Different initiatives to reduce bureaucracy are not managed as a coherent programme with a clear goal.

Recommendation:

Given its overarching responsibility for the sector, the department should make clear the scale of improvement being sought and establish a clear measurement framework so that progress can be assessed.

3.1 The Government agreed with the Committee's Recommendation.

Recommendation implemented.

3.2 Reduced bureaucracy and better value for money remains one of the key objectives of the reforms, which are being delivered through fewer intermediary bodies, simpler systems, processes, and regulation. The department liaises with a wide range of senior sector representatives to coordinate and monitor cross Government efforts to reduce bureaucracy in the sector.

3.3 The Further Education Reform Programme evaluation study, building on the work already undertaken by the Skills Funding Agency, established the scale and nature of burdens and priorities for action in reducing bureaucracy. It reported in October 2013 and found that although the Simplification Plan had not made a major impact on reducing administrative burden, there were some examples of savings and indications of further savings in the future.

4: Committee of Public Accounts conclusion

Greater freedoms for further education providers must not put public funds at risk.

Recommendation:

The department should set out, as part of its accountability statement, how safeguards on the use of public funds will be maintained alongside the changes they are implementing.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The Secretary of State issues annual letters to the Chief Executive of Skills Funding requiring the Agency to manage and allocate the skills budget, ensuring value-for-money and robust financial assurance. The department monitors the Agency's delivery through a robust set of performance monitoring arrangements. These arrangements have provided an ongoing and robust mechanism for ensuring public funding is safeguarded.

4.3 The Deregulation Bill will make provisions for the Chief Executive of Skills Funding and the Skills Funding Agency to operate through the powers of the Secretary of State, creating a more cohesive legal framework and clearer line of accountability.

Seventy Seventh Report
Cabinet Office
Reorganising central government bodies

Summary of the Committee's findings

Under the Public Bodies Reform Programme (the Programme), the Government is reducing the number of its arm's length bodies from 904 to between 632 and 642 by the end of the current Spending Review period. The closure of at least 262 bodies across Government is the largest restructuring of public bodies for many decades, and will have a substantial and lasting impact on how public money is spent. The Cabinet Office is responsible for overseeing the Programme, and the main statute governing the abolition and reorganisation of bodies is the Public Bodies Act 2011.

The Programme is intended to improve accountability for functions currently carried out at arm's length from Ministers and make spending on those activities more accountable to Ministers. It is also designed to result in substantial net financial savings of £2.6 billion in administrative spending by 2015.

Background resources

- NAO report: *Reorganising Central Government Bodies* - Session 2010-12 (HC 1703)
- PAC report: *Reorganising Central Government Bodies* - Session 2010-12 (HC 1802)
- Treasury Minute: July 2012 (Cm 8416)

Updated Government response to the Committee

There were 5 recommendations in this report. As set out in the last Treasury Minute (Cm 8416), 2 recommendations were implemented and the department disagreed with 2 recommendations. 1 recommendation remained work in progress, which has now been implemented, as set out below.

5: Committee of Public Accounts conclusion
It is not clear how the Cabinet Office or others will be able to judge the overall effectiveness of the Programme.

Recommendation:
The Cabinet Office should develop and publish a clear set of measurable objectives against which it and others can assess the impact and effectiveness of the Programme, and of moving services to other organisations.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 The Government's benefits realisation peer group developed and agreed a benefits framework in late 2012 that was published as part of the Public Bodies 2012 publication in January 2013. The framework enables departments to provide evidence of the intended benefits of reform and other forms of value in a consistent way, using numerical measures, narrative evidence and case studies.

5.3 The four key areas of benefit outlined within the framework are increased accountability, increased transparency, increased efficiency and wider public value. This framework means that departments can ensure that individual reforms and triennial reviews are clearly aligned to the overall objectives of the Public Bodies Reform Programme and contribute to programme-wide benefits. The Cabinet Office started formally collecting benefits information on the four key areas in March 2013.

5.4 The Government is making good progress against its planned reductions in the number and cost of public bodies, and by the end of the Spending Review Period will have reduced the number of public bodies by over 300 and delivered cumulative net reductions in the administrative cost of public bodies of at least £2.6 billion.

Seventy Eighth Report

Department of Health

Care Quality Commission: regulating the quality and safety of health and adult social care

Summary of the Committee's findings

The Care Quality Commission is the independent regulator of health and adult social care in England. It was formed in 2009 from the merger of three previous regulators. It currently regulates over 21,000 care providers against 16 essential standards of quality and safety. The Commission plays an absolutely vital role in providing assurance to the public, both by ensuring appropriate quality standards and by deterring poor quality and unsafe care. The Commission takes action where it finds standards are not being met. To date, however, it has failed to fulfil this role effectively.

Background resources

- NAO report: *Care Quality Commission regulating the quality and safety of health and adult social care* - Session 2010-12 (HC 1665)
- PAC report: *Care Quality Commission regulating the quality and safety of health and adult social care* - Session 2010-12 (HC 1779)
- Treasury Minute: May 2012 (Cm 8352)

Updated Government response to the Committee

There were 8 recommendations in this report. As of the last Treasury Minute (Cm 8352), 3 recommendations were implemented and the department disagreed with 2 recommendations. 3 recommendations remained work in progress, all of which have now been implemented, as set out below.

3: Committee of Public Accounts conclusion
The Commission's role is unclear and it does not measure the quality or impact of its own work.

Recommendation:
The Commission, working with the department, should set out clearly what it is seeking to achieve and develop measures of quality and impact which can be used to assess its effectiveness.

3.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

3.2 In April 2013, the Care Quality Commission (CQC) published its three year strategy *Raising Standards, Putting People First, Our Strategy for 2013 to 2016*, setting out what it intends to achieve including a new more rigorous and expert-led model of inspection. Chief Inspectors have now been appointed, for hospitals, adult social care, and general practice and, although the transition is still underway, major progress has been made in implementing the new model.

3.3 CQC's business plan 2014-15 follows through on this Strategy by describing strategic measures, to be assessed using a scorecard under development and through a comprehensive evaluation programme, both of which will assess whether CQC is delivering its purpose as described in its Strategy and doing so effectively, efficiently, to quality and offering value for money.

5: Committee of Public Accounts conclusion
The registration of GP practices must involve a meaningful assessment of compliance with the essential standards of quality and safety.

Recommendation:
The Commission should review and set out how it will make sure that the assessment of GP practices is meaningful.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 In 2012-13, CQC completed the process to bring primary medical services, including 7,600 GPs, into registration from 1 April 2013. Professor Steve Field has been appointed Chief Inspector of General Practice in October 2013, and is overseeing the monitoring, regulation and inspection of GP Practices (including out of hours services), general dental practices, mobile doctors and remote clinical advice services (including the 111 service).

5.3 In December 2013, CQC published *"A fresh start for the regulation and inspection of GP practices and GP out-of-hours services"*. It began testing its new approach to GP inspections, from April 2014, and has now published its handbook on how it proposes to rate this sector, for consultation. New inspections will be carried out by expert inspectors including GPs and nurses or practice managers. In April 2014, CQC published the results of the first ten inspections of GP out-of-hours services using its new methodology.

6: Committee of Public Accounts conclusion

There are inconsistencies in the judgements of individual inspectors and in the Commission's approach to enforcement.

Recommendation:

The Commission should provide training and guidance to inspectors that specifically addresses the risk of inconsistent judgements in inspections and enforcement, and should use performance data to monitor trends and identify areas of concern.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 CQC is going through a major transition programme. Chief Inspectors are developing the methodology for registration, monitoring, inspection, ratings and enforcement, working together to bring a consistent and quality-assured approach across the different sectors.

6.3 CQC's new model of inspection uses larger and higher-skilled inspection resource that includes specialist inspectors, clinical and other experts and people with experience of care. The CQC's training Academy has been successfully established to train inspectors in CQC's new methodology. A new Intelligent Monitoring model is being used to draw together a wide range of information and intelligence to guide frequency of inspections and ensure that inspectors are fully informed.

6.4 CQC has powers of enforcement and prosecution and is developing its skills in bringing prosecutions, for example, by drawing on expertise from the Health and Safety Executive. The new fundamental standards of care are intended to make prosecution simpler where it is warranted.

Eighty Second Report

Department for Education

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

Summary of the Committee's findings

The Department for Education 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.

Background resources

- NAO report: *Oversight of financial management in local authority maintained schools* Session 2010-12 (HC 1517)
- PAC report: *Accountability for public money – progress report* - Session 2010-12 (HC 1503)
- PAC report: *DfE: accountability and oversight of education and children's services* Session 2010-12 (HC 1957)
- Treasury Minute: November 2012 (Cm 8467)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8467), 5 recommendations were implemented. 1 recommendation remained work in progress, which has now been implemented, as set out below.

3: Committee of Public Accounts conclusion

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.

Recommendation:

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 agreed with the Committee's recommendation.

Recommendation implemented.

3.2 The department published the academies financial data for 2011-12 in July 2013. This covered the income and expenditure data for 1,025 individual academies and 96 Multi Academy Trusts (MATs), which covered a further 386 academies.

3.3 The data was published using similar categories of income and expenditure as those used for maintained schools and on a per-pupil basis. This ensures that broad comparability is possible, although it should be noted that academies receive and spend funds for items that are funded by local authorities in the maintained sector. The data was also published as a statistical first release in a spreadsheet with benchmarking facility to enable academies to compare themselves and drive value for money across the system. The department will continue to work to improve the quality and comparability of academies' and maintained schools' financial data.

Eighty Third Report

Department for Work and Pensions

Child Maintenance and Enforcement Commission: cost reductions

Summary of the Committee's findings

The role of the Child Maintenance and Enforcement Commission is to support separated families and secure maintenance payments for children affected by separation. Around half of all children in the UK from separated families are being brought up in poverty. In 2010-11 the Commission collected and transferred £1.1 billion to parents caring for more than 880,000 children.

Background resources

- NAO report: *Child Maintenance and Enforcement Commission: cost reductions* - Session 2010-2012 (HC 1793)
- PAC report: *Child Maintenance and Enforcement Commission: cost reductions* – Session 2010-2012 (HC 1874)
- Treasury Minute: July 2012 (Cm 8416)

Updated Government response to the Committee

There was 1 conclusion and 6 recommendations in this report. As of the last Treasury Minute (Cm 8416), the department disagreed with 2 recommendations. 4 recommendations remained work in progress, of which 3 have now been implemented, as set out below.

2: Committee of Public Accounts conclusion
Outstanding payments total some £3.7 billion, but the Commission considers that only £1 billion of this is "collectable" and that less than half of that can be collected cost-effectively.

Recommendation:
The Commission should identify the cost-effectiveness of different debt collection methods and set out a clear plan of what it expects to recover. It should also assess the arrears owing for each case and notify parents of what action it plans to take to recover the sums owing to them. It should tell customers of any debt it believes is too costly to pursue rather than leave parents in limbo.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 In January 2013, the department published "*Preparing for the future, tackling the past*", its five year strategy for addressing arrears and improving compliance within the Child Maintenance Reform Programme. As cases are closed on the old 1993 and 2003 schemes, a process will be introduced to inform receiving parents on the outstanding arrears on those schemes, and seeking their views on how the arrears should be treated.

3: Committee of Public Accounts conclusion
A successful fee regime will depend on the Commission being able to deliver reasonable standards of service.

Recommendation:
The Commission should work with stakeholders to monitor whether more separated families agree their own arrangements and understand any service-related reasons for lower than expected applications to the new child maintenance scheme. The first monitoring report should be carried out six months after the introduction of fees.

3.1 The Government agreed with the Committee's recommendation.

Target implementation date: December 2016.

3.2 The department believes six months is too short a period to conduct a full evaluation of the impact of charging, as new patterns of parental behaviour are unlikely to have been established. In addition, the process of closing in excess of one million former Child Support Agency (CSA) cases will have just begun.

3.3 For these reasons, a full evaluation of the new statutory service and charging will be conducted within 30 months of the introduction of charging, as announced to Parliament during the passage of the Welfare Reform Bill. The review will make use of information from the Department's systems, existing surveys of clients and other information including longitudinal surveys of former CSA clients and relevant surveys of the wider separated population to determine what arrangements they are putting in place.

4: Committee of Public Accounts conclusion

The Commission's plans to deliver £117 million of cost reductions by 2014-15 are high risk.

Recommendation:

The Commission needs to identify further savings to create a greater contingency and meet any further shortfall in planned cost reductions without affecting services.

4.1 The Government agreed with the Committee's recommendation

Recommendation implemented.

4.2 The Child Maintenance Group has an agreed budget for 2014-15, which takes into account expected costs and income in the light of latest plans for the implementation of child maintenance reforms, as well as reflecting achieved and anticipated efficiencies.

5: Committee of Public Accounts conclusion

The Commission is relying on the implementation of a new IT system to improve the service to parents and reduce its costs.

Recommendation:

The Commission must ensure testing is completed satisfactorily before the system is implemented.

5.1 The Government agreed with the Committee's recommendation

Recommendation implemented.

5.2 The Child Maintenance Reform Programme has adopted a pathfinder approach which, combined with appropriate testing, has enabled the new scheme to be extended to cover all new applications from November 2013. This approach will continue to be used in the programme, including the closure of cases under the 1993 and 2003 schemes.

Eighty Fourth Report

Department for Education

Adult Apprenticeships

Summary of the Committee's findings

The successful Apprenticeship Programme involves work-related training for full-time employees in England. The Department for Business, Innovation and Skills, which has responsibility for adult apprenticeships (ages 19 and over), works with its partners, the Skills Funding Agency and the National Apprenticeship Service, to deliver the Programme. Adult apprentices represented 325,500, or 71%, of the 457,200 apprentices who started their apprenticeship in the 2010/11 academic year. During the 2010-11 financial year the Department spent £451 million on adult apprenticeships.

Background resources

- NAO Report**:** *Adult Apprenticeships* - Session 2010-2012 (HC 1787)
- PAC Report: *Introduction of the Work Programme* - Session 2010-2012 (HC 1875)
- Treasury Minute: July 2012 (Cm 8416)

Updated Government response to the Committee

There was 1 conclusion and 5 recommendations in this report. As of the last Treasury Minute (Cm 8416), 5 recommendations remained work in progress, all of which have now been implemented, as set out below.

2: Committee of Public Accounts conclusion

The Programme is estimated by the NAO to deliver a positive economic return of £18 for each £1 spent, but to improve its targeting of resources the department needs a better understanding of which apprenticeships in which sectors deliver the greatest value for money.

Recommendation:

The department should carry out research during 2012 into the impacts of apprenticeships in different sectors, including estimates of additionality, and use this information to better direct its efforts and improve the financial return of the Programme to the economy.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 The department published several research reports looking at the impact of Apprenticeships in different sectors, which form part of the evidence base informing the Apprenticeships reform programme.

- BIS Research Paper 106: *A disaggregated analysis of the long-run impact of vocational qualifications*.[29] This paper was published in February 2013 and in section 3.5, includes estimates of the wage and employment outcomes resulting from different subjects of study.

- BIS Research Paper 138: *Measuring additionality in Apprenticeships*.[30] This paper was published in October 2013 and looks at additionality by sector.

- The Service's Annual Surveys of Apprenticeships (learners[31] and employers[32]), published in August 2013, provide evidence on the impact of Apprenticeships in different sectors.

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[29] https://www.gov.uk/government/publications/disaggregated-analysis-of-the-long-run-impact-of-vocational-qualifications

[30] https://www.gov.uk/government/publications/measuring-additionality-in-apprenticeships

[31] https://www.gov.uk/government/publications/apprenticeship-survey-learners

[32] https://www.gov.uk/government/publications/apprenticeships-evaluation-employer

3: Committee of Public Accounts conclusion
The department needs better information to promote the benefits of apprenticeships to employers and individuals.

Recommendation:
Before 2013-14, the Service should publish comprehensive information aimed at employers and individuals on: the costs and benefits of apprenticeships (in each sector), the relative benefits of attending university as compared to undertaking an apprenticeship, the quality of individual training providers, and ways of accessing the Programme.

3.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

3.2 In November 2011, the Service published its Return on Investment (ROI) tool allowing employers to see the ROI connected with Apprenticeships per sector - this had 30,000 uses and is currently offline awaiting updated information. In April 2013 the Service published its Apprenticeship search tool, which allows employers and individuals to search and compare providers using quality information (success rates and Ofsted grades). By March 2014 this had been used over 100,000 times. Access to the programme is now much easier via a simplified website or single contact points for employers (NAS) and individuals (NCS).

4: Committee of Public Accounts conclusion
The Committee has concerns about the number of short training programmes classified as apprenticeships and about the quality and amount of training some apprentices receive which the Committee considers is inadequate and poses risks to the value of the Programme to individuals and employers.

Recommendation:
The Service also needs to strengthen its arrangements for ensuring that apprentices receive their statutory amount of off-the-job training. Given a recent survey, the department itself published showing that less than half of apprentices surveyed said they received off the-job training, the Service should set out in its response how and when it will take action with the sector.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The Agency published a revised *Statement of Apprenticeship Quality* in December 2013, with the aim to strengthen the focus on pay and on/off the job training; and to address the issues identified from the *Pay and Evaluation of Apprenticeship* surveys. The revised statement has been passed on to the Agency's Apprenticeship Provider Network and published on the Agency's Apprenticeships website.[33] Since the statement was published, several provider contracts have been cancelled. The department and the Agency will continue to monitor any quality and compliance issues through its regular learner and employer surveys.

5: Committee of Public Accounts conclusion
The Service does not know whether it is paying training providers too much for some apprenticeships.

Recommendation:
The Service should work closely with the Agency to link the funding it provides more closely with the delivery costs.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

[33] http://www.apprenticeships.org.uk/partners/policy/apprenticeship-delivery-models.aspx

5.2 The Service and the Agency agreed a new funding system, published in the *simplified FE funding guide* in May 2012, which changes the amount of funding paid for each Apprenticeship by linking it directly to the qualifications it contained. However, the Richard Review recommended a different approach. The Funding Reform of Apprenticeships, linked to the *Future of Apprenticeships in England: Funding Reform Technical Consultation* identified a new approach to funding, which will be announced and trialled in 2014-15, with full implementation in 2016-17.

6: Committee of Public Accounts conclusion
The relationship between the National Apprenticeship Service and Skills Funding Agency remains unclear.

Recommendation:
The department should review the organisation of the Service and Agency, to ensure working arrangements are clear and there is minimal duplication.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 The National Apprenticeship Service was integrated into the Skills Funding Agency in April 2013. The Chief Executive of the Skills Funding Agency is currently accountable for the delivery of the Apprenticeship Programme in England.

Eighty Fifth Report

Department for Work and Pensions

Introduction of the Work Programme

Summary of the Committee's findings

The Work Programme replaced virtually all welfare to work programmes run by the Department for Work and Pensions. Having only started in June 2011 the Work Programme is designed to help long-term unemployed people into sustainable employment. Over the next five years, the department expects the Programme to help up to 3.3 million people at a cost of £3 billion to £5 billion. The department has contracted with 18 prime contractors to deliver the Programme across England, Scotland and Wales. Each of the prime contractors has their own subcontractors. The department has done well to introduce the Work Programme in 12 months.

Background resources

- NAO Report**:** *Introduction of the Work Programme* - Session 2010-2012 (HC 1701)
- PAC Report: *Introduction of the Work Programme* - Session 2010-2012 (HC 1814)
- Treasury Minute: July 2012 (Cm 8416)

Updated Government response to the Committee

There were 7 recommendations in this report. As of the last Treasury Minute (Cm 8416), 2 recommendations were implemented and the department disagreed with 2 recommendations. 3 recommendations remained work in progress, of which 2 have now been implemented, as set out below.

2: Committee of Public Accounts conclusion
Achieving value for money will need to go beyond a reliance on risk transfer.

Recommendation:
In its on-going assessment of value for money, the department should include whether the Programme is achieving all its objectives, including whether all participants receive a suitable level of support, and whether the Programme produces the expected wider benefits to society of getting more people off benefit and into work. The assessment should also take into account unintended consequences, such as the risk that participants on the Work Programme are replacing existing workers.

2.1 The Government agreed with the Committee's recommendation.

Target implementation date: April 2015.

2.2 The department has an on-going independent evaluation to explore the outcomes and experiences of claimants, and the delivery strategies used by providers. The department is also conducting analytical work to determine the feasibility of making an assessment of the programme in terms of reducing the time claimants spend on benefits and increasing the likelihood of them moving into work. Initial evaluation findings from the early delivery of the programme were published in November 2012 and March 2013. Since that time further research has been on-going to assess the programme in the steady state phase. This research is still underway and fieldwork is due to conclude in 2014. The department has plans to publish full findings once the evaluation completes.

4: Committee of Public Accounts conclusion
Reliable data on the performance of contractors in the Programme will not be available before autumn 2012.

Recommendation:
The Programme will operate for a full 15 months before participants, prime contractors, subcontractors and Parliament are informed of, and able to compare, performance. The information published must show performance at the level of individual contractors. This should include the minimum performance levels for each contract and the level of performance achieved.

4.1 The Government agreed with the Committee’s recommendation.

Recommendation implemented.

4.2 The first statistics on Work Programme performance were published in November 2012 and published each quarter, allowing the public, Parliament, Providers, and other interested parties to examine the programmes performance, including at individual contract level. In autumn 2013, the department ran a consultation to seek feedback and make improvements to these publications to ensure the department delivers them in the most effective way.

7: Committee of Public Accounts conclusion
The department must be vigilant to the impact Universal Credit may have on the Programme.

Recommendation:
The department should report to the Committee in November 2012 on the key changes to the Programme that will arise from Universal Credit, the risks for the Programme, and the actions it is taking to mitigate these risks.

7.1 The Government agreed with the Committee’s recommendation.

Recommendation implemented.

7.2 The department provided an update to the Committee in November 2012, as requested. The Work Programme referral process works effectively with Universal Credit conditionality groups and the classification of claimants, and makes best use of Real Time Information earnings information when validating sustained employment outcomes. This includes considering how the successor to the Work Programme and Universal Credit can be designed in harmony to deliver the best results.

Eighty Sixth Report

Department for Education

Free entitlement to education for 3 and 4 year olds

Summary of the Committee's findings

The Department for Education wants all three and four year olds to receive high quality early years education. The primary purpose of this education is to support children's development. To achieve this goal the department provides funding for local authorities to pay for three and four year olds to receive their entitlement to 15 hours of free education each week. The department devolves delivery to local authorities and providers but it is responsible for the overall value for money from the system.

Background resources

- NAO report: *Delivering the free entitlement to education for 3- and 4- year olds* - Session 2010-12 (HC 1789)
- PAC report: *The free entitlement to education for 3 and 4 year olds* - Session 2010-12 (HC 1893)
- Treasury Minute: July 2012 (Cm 8416)

Updated Government response to the Committee

There was 1 conclusion and 6 recommendations in this report. As of the last Treasury Minute (Cm 8416), 1 recommendation was implemented. 5 recommendations remained work in progress, of all which have now been implemented, as set out below.

2: Committee of Public Accounts conclusion
The department has a limited understanding of how the funding it provides for early education is spent.

Recommendation:
The department must collect and publish further information on spending and outcomes. This should include the results from funding supplied for specific purposes, such as increasing capacity and participation.

2.1 The Government partly agreed with the Committee's recommendation.

Recommendation implemented.

2.2 From 2013, the department changed how local authorities report early education funding data to provide a single format for consistent information so that comparisons can be made more easily between different local authority areas. The latest benchmarking data on local authority expenditure was published in March 2014,[34] including spending on early education for two-year-olds and average hourly rates. Local authorities and others will be able to compare this funding data with other local performance data, to inform decisions about the effectiveness and value for money of investment in each local authority.

2.3 From January 2014, the annual censuses of funded provision (in schools and private, voluntary and independent providers) have also collected data on the two year old entitlement, including information on the number of hours accessed by children in each setting.

4: Committee of Public Accounts conclusion
There is insufficient information available to parents to allow them to make informed choices.

Recommendation:
The department should set out what information local authorities must make available to parents. This information must be clear and easily accessible.

[34] https://www.gov.uk/government/publications/early-years-benchmarking-tool

4.1 The Government partly agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The department published revised statutory guidance on the delivery of the funded early education, effective from 1 September 2013,[35] for local authorities to provide information to parents and to ensure parents are aware of their child's entitlement to early education and their options in taking up their entitlement. The guidance also makes it clear that local authorities should make parents aware of the quality of providers delivering early education places based on the provider's most recent Ofsted inspection.

4.3 Local authorities should also report annually to elected members and parents on the sufficiency of childcare in each local authority, including the availability of funded early education places for two, three and four year olds. These requirements will also be reflected in revised guidance extending the early education entitlement for two year olds, which is scheduled to take effect from September 2014.

5: Committee of Public Accounts conclusion

Research shows very strong effects in early years. However there is no clear evidence from the National Key Stage One results that the entitlement is having the long term educational benefits for children that the department intended.

Recommendation:

The department should identify how it will measure longer term impacts on children, and examine why measured improvements at age five are not feeding through to results at age seven.

5.1 The Government partly agreed with the Committee's recommendation.

Recommendation implemented.

5.2 Whilst there is strong research evidence of the long term benefits, the primary evidence base for England (the Effective Provision of Pre-school Education study) was published in November 2004, and is therefore based on children who had their early year's experiences ten years ago.

5.3 In order to better understand the benefits arising from high quality early years education, and any factors, which might lessen the effect, the department has commissioned a longitudinal Study of Early Education and Development. This will evaluate the effectiveness of the current early education model in England, including funded early years education for two year olds from lower income families. The study will follow children from the age of 2 years, through their early education into primary school (up to age 7 years). The study is due to be completed in 2020 and interim findings will be available in intervening years.

6: Committee of Public Accounts conclusion

Disadvantaged families have the lowest levels of take-up of the entitlement and poorer areas have the lowest levels of high quality provision.

Recommendation:

The department must capture and share practical examples of local authorities which have successfully increased take-up in disadvantaged groups. The department should also state how it will use the funding system to raise quality in deprived areas.

6.1 The Government partly agreed with the Committee's recommendation.

Recommendation implemented.

6.2 Following the introduction of the statutory entitlement to early learning for two-year-olds, the department contracted Mott McDonald to support implementation by local authorities. This included targeting the most disadvantaged families, which in turn should lead to these families continuing to take up their child's entitlement at three and beyond.

[35] https://www.gov.uk/government/publications/early-education-and-childcare

6.3 Since the changes to the early year's single funding formula (EYSFF) from April 2013, the compulsory deprivation supplement in each authority's formula must be awarded to settings offering places to disadvantaged children, rather than just being in disadvantaged areas. There will be opportunities for local authorities to refocus and build-in continuity of support through their EYSFF deprivation funding for three- and four-year-olds, after the two-year-old entitlement is established. The Government has also announced £50 million extra funding in 2015-16 for nurseries, schools and other providers of Government funded early education to support disadvantaged 3 and 4 year olds.

7: Committee of Public Accounts conclusion

The Committee is concerned that some providers may be excluding families which do not pay for additional hours.

Recommendation:

The department needs to work with local authorities to better understand how common this problem is and to prevent it from happening.

7.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

7.2 The department issued statutory guidance to local authorities in September 2013,[36] which made it clear that if providers charge for additional goods or services, then this is not a condition of children accessing their place. Local authorities should ensure that parents can clearly see, from the information they receive from their provider, that they have received their child's full 15 hour place completely free of charge. Providers should also have a complaints procedure for parents who are not satisfied that their child has received their place, or with any aspect of the way they have received it.

7.3 Revised guidance from September 2014 will make it clear that local authorities retain the ability to place conditions on all providers which ensure that funded places are entirely free of charge to parents. The Secretary of State has powers to direct local authorities to take certain actions if they are not fulfilling their statutory duties.

[36] https://www.gov.uk/government/publications/early-education-and-childcare

Progress on the implementation of Government accepted recommendations of the Committee of Public Accounts (Session 2012-13)

Updates on recommendations, previously reported as work in progress, are included in this update:

The recommendations in the reports below were previously fully resolved and are not included in this update:

#	Report Title
9	Preparations for the London 2012 Olympic and Paralympic Games
22	BBC: Off payroll contracting and severance package for the Director General
35	Restructuring the National offender Management Service
37	Whole of Government Accounts 2010-11
40	London 2012 Olympic and Paralympic Games: post games review
42	Planning economic infrastructure
43	Report number not used by the Committee

First Report
Cabinet Office
Government Procurement Card

Summary of the Committee's findings

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.

Background resources

- NAO Report**:** *Government Procurement Card* - Session 2012-2013 (HC 1828)
- PAC Report: *Government Procurement Card* - Session 2012-2013 (HC 1915)
- Treasury Minute: November 2012 (Cm 8467)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8467), 3 recommendations were implemented. 3 recommendations remained work in progress, of which 2 have now been implemented, as set out below.

4: Committee of Public Accounts conclusion
There is insufficient control over who is eligible to hold a Government Procurement Card.

Recommendation:
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 agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The majority of departments have no non-permanent members of staff that hold a GPC card, with the exception of the Department for Energy and Climate Change; the Ministry of Defence; the Department of Health; and the Department for Work and Pensions, where a limited and controlled number of GPCs are in use with non-permanent staff which on occasions may include agency staff. Compliance reviews have taken place with each of the 17 central Government departments to examine their adherence to the central GPC Usage Policy, and that policy has also been further reviewed, and updated with additional controls.

5: Committee of Public Accounts conclusion
There is no central system for collecting and monitoring instances of card fraud, or of subsequent prosecutions.

Recommendation:
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.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 The revised GPC usage policy has made it clearer that the principle of fraud awareness was integral to policy across departments. The central policy has been revised so that inappropriate use will lead to withdrawal of the card and, where necessary, to disciplinary procedures. The Crown Commercial Service (CCS) has not been notified of any instances of inappropriate use of GPC cards by any Government department.

5.3 CCS discusses anti-fraud measures with GPC suppliers to ensure inappropriate spend or usage is reported and challenged. Included in the new ePCS Framework is a requirement for a report detailing such instances to be produced by the suppliers on a monthly basis. This report will be reviewed by CCS and any instances of inappropriate use will be highlighted to the relevant Government department and their Ministers.

6: Committee of Public Accounts conclusion

There is no up-to-date business case to demonstrate in which circumstances use of the Government Procurement Card represents good value for money.

Recommendation:

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 agreed with the Committee's recommendation.

Target implementation date: Spring 2015.

6.2 Historically, GPS savings ranged from £19 to £28 per transaction and were dependent on the starting position of the organisation in respect of Purchase 2 Pay processes and procurement / finance technology in use.

6.3 The new ePCS Framework, which will replace GPC, will commit suppliers to work with the CCS to conduct a comprehensive assessment of the cost benefits of using cards against alternative payment methods and to identify ways in which Government departments can make savings using market best practice. This study is delayed as it cannot take place until the new ePCS Framework has been procured (target date of August 2014). As such CCS estimates a revised implementation date of Spring 2015.

Second Report
Home Office
Mobile Technology in Policing

Summary of the Committee's findings

The Mobile Information Programme ran between 2008 and 2010. The Home Office distributed £71 million of central funding through the National Policing Improvement Agency to police forces to enable them to buy over 41,000 new mobile devices (such as Blackberry's 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.

Background resources

- NAO report: *Mobile Technology in Policing* - Session 2010-12 (HC 1765)
- PAC report: *Mobile Technology in Policing* - Session 2010-12 (HC 1863)
- Treasury Minute: November 2012 (Cm 8467)

Updated Government response to the Committee

There were 5 recommendations in this report. As of the last Treasury Minute (Cm 8467), 2 recommendations were implemented and the department disagreed with 1 recommendation. 2 recommendations remained work in progress, all of which have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
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.

Recommendation:
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 partly agreed with the Committee's recommendation.

Recommendation implemented.

1.2 The department agrees that the System Statement should set out the information forces are mandated to provide, but does not agree that the statement should also set out the central interventions the department would make to address poor value for money.

1.3 A revised System Statement was published on 2 April 2014 and sets out:

- the scope of the Accounting Officers' accountability;
- how the accountability system for policing and crime reduction works;
- sources of information on whether the system is effective (for example; HMIC's vfm reports and information forces are required to publish); and
- system failure and reviewing the system.

1.4 Moreover, Police and Crime Commissioners are under a statutory duty in the Police Reform and Social Responsibility Act to hold their chief officer to account for achieving good value for money.

4: Committee of Public Accounts conclusion

Only a fifth of forces have used the Mobile Information Programme to improve the efficiency of their business.

Recommendation:

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 agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The department supported the College of Policing to launch its Digital Pathfinders initiative in 2013. Starting with one force in May 2013, all 43 forces plus British Transport Police are now signed up. The initiative encourages collaboration between forces, sharing ideas, innovation and best practice.

4.3 The College worked with the initial 21 forces to set out what a digital force looks like, which includes a set of capabilities around mobile working (as well as public engagement and joined up criminal justice). Adopting these capabilities means that officers can work more efficiently and effectively. The department has awarded 19 force funds, from the 2013-14 Innovation Fund, to support mobile projects.

4.4 The College of Policing has written to all forces and PCCs setting out the capabilities, as well as the work it will do to share best practice and support forces in adopting the capabilities, which HMIC can inspect in their 2015 inspection regime.

Third Report

Cabinet Office

Efficiency and reform in Government corporate functions through shared service centres

Summary of the Committee's findings

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.

Background resources

- NAO report: *Efficiency and reform in Government corporate functions using shared service centres* - Session 2010-12 (HC 1790)
- PAC report: *Efficiency and reform in Government corporate functions using shared service centres* – Session 2012-13 (HC 463)
- Treasury Minute: November 2012 (Cm 8467)

Updated Government response to the Committee

There were 7 recommendations in this report. As of the last Treasury Minute (Cm 8467), 2 recommendations were implemented. 5 recommendations remained work in progress, all of which have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
Shared service centres have provided poor value for money in the past.

Recommendation:
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 the Committees 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 agreed with the Committee's recommendation.

Recommendation implemented.

1.2 *Next Generation Shared Services: The Strategic Plan* was published in December 2012. This defines the plans to deliver two Independent Shared Service Centres (ISSCs). To create ISSC1, the Department for Transport divested its Shared Service Centre to a private sector provider - Shared Services arvato (part of the Bertelsmann Group), which went live in June 2013. In October 2013, the Framework Contract was novated to the Cabinet Office. To create ISSC2, Shared Services Connected Ltd (SSCL) was set up as a joint venture between the Government and Steria UK. The shared service centres from the Department for Work and Pensions; the Department for Environment, Food and Rural Affairs; and the Environment Agency were transitioned to SSCL on 1 November 2013. The strategic plan identifies key milestones; target savings and strategies.

2: Committee of Public Accounts conclusion
The Cabinet Office did not provide the strong leadership required to get buy-in from individual departments.

Recommendation:
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.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 Initial implementation of *Next Generation Shared Services: The Strategic Plan* was undertaken under the leadership of the Chief Operating Officer for Government, Stephen Kelly. This provided the required authority to ensure delivery of the creation of the two ISSCs. A new SRO has now been appointed to take the Programme into the next phase. The Head of the Civil Service has sought confirmation from departments of their plans to implement the new strategy.

2.3 The Government will use spending controls to limit use of services outside of the shared services operating model. Additionally, benchmarking will facilitate promotion of best-practice and identification of non-conforming areas, driving the shared services agenda. The Cabinet Office pro-actively collaborates with departments and this has resulted in 28 customer organisations signing up. There remains more to do.

3: Committee of Public Accounts conclusion

Overly complicated systems at the shared service centres have arisen because departmental users are unwilling to change their ways of working.

Recommendation:

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 agreed with the Committee's recommendation.

Recommendation implemented.

3.2 The Cabinet Office will formalise plans in spring 2014 to instigate an Intelligent Client Function through restructuring the Crown Oversight function. This will have a greater focus on developing 'intelligent customers'. Currently providers are working to design single operating platforms, which enable streamlined, standardised processes across customer organisations. This has involved collaborative workshops with customers to share lessons and best practice, and support common understanding of expectations and delivery.

3.3 As part of the transformation to the ISSCs, customer organisations will review their back office processes to ensure these are streamlined and align efficiently to the standardised processes within the shared service centre. The Department for Environment, Food and Rural Affairs is leading the way in ISSC2, setting up an Intelligent Customer User Group to discuss best practice. In ISSC1, customers currently migrating to the shared service centre are evolving their Intelligent Client approach through the migration board.

6: Committee of Public Accounts conclusion

The Cabinet Office lacks a wider strategy to extend shared services beyond central Government back-office functions.

Recommendation:

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 agreed with the Committee's recommendation.

Recommendation implemented.

6.2 In July 2013, the *Civil Service Reform Plan: One Year On Report* concluded that the integration of functions envisaged in the Reform Plan did not go far enough. The report stated that the wider context had become more challenging and there was a need to accelerate reform. It went on to suggest that the civil service must constantly evolve and improve – for example: the centre of Government needs to be strengthened through greater integration of expert services and corporate functions – a model known as functional leadership.

6.3 In July 2013, the Cabinet Office approved the commencement of work on a functional leadership programme. This will design and deliver stronger corporate functional leadership for Government, including human resources and information technology, together with further changes to procurement and communications services.

7: Committee of Public Accounts conclusion

There is a risk that funding constraints act as a barrier to long-term investment and value for money.

Recommendation:

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 agreed with the Committee's recommendation.

Recommendation implemented.

7.2 The two ISSCs have been outsourced to private limited companies to generate savings for the Government. Outsourcing was chosen for ISSC1 because it would generate savings for the Government. ISSC2 (SSCL) was outsourced to a Joint Venture company with the Government, as a minority shareholder, to better align incentives with the private sector partner and for the Government to also benefit from the profits generated. Both of these outsourcing arrangements transfer upfront investment requirements for service transformation to the private sector partner. Benchmarking against best in class ensures continuous improvement and value for money, supported by consistent targets and performance standards.

7.3 For the remaining three standalone shared service centres:

- Ministry of Defence has a contractual arrangement with Serco that has already enabled significant savings to be made.
- Ministry of Justice is considering options on how to deliver best value for money for their shared service centre; and
- The Cabinet Office continues to work with HM Revenue and Customs to ensure it achieves an upper quartile level of performance and value, when compared with the other central Government departments and external providers.

Fourth Report
Department for Transport
Completion and sale of High Speed 1

Summary of the Committee's findings

The high speed railway linking London to the Channel Tunnel, 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 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.

Background resources

- NAO report: *Completion and sale of High Speed 1* - Session 2010-12 (HC 1834)
- PAC report: *Completion and sale of High Speed 1* - Session 2012-13 (HC 1938)
- Treasury Minute: November 2012 (Cm 8467)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8467), 3 recommendations were implemented and the department disagreed with 2 recommendations. 1 recommendation remains work in progress, as set out below.

5: Committee of Public Accounts conclusion
Unrealistic passenger estimates for High Speed 1 must not be repeated in the business case for HS2.

Recommendation:
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 agreed with the Committee's recommendation.

Target implementation date: Autumn 2014.

5.2 The department will consider further the impact of fares on the full business case for HS2, which will follow Royal Assent of the Hybrid Bill for Phase One.

Fifth Report

Department for Business, Innovation and Skills

Regional Growth Fund

Summary of the Committee's findings

The Government established the Regional Growth Fund (the Fund) in June 2010 to support projects with the potential to deliver economic growth and additional, sustainable private-sector jobs, particularly in areas that rely more on the public sector for employment. £1.4 billion was allocated for competing projects and programmes in two bidding rounds during 2011. Ministers decided which projects and programmes to support based on advice from a panel chaired by Lord Heseltine and analysis from officials.

The Permanent Secretary for the Department for Communities and Local Government (DCLG) has overall accountability for ensuring delivery of value for money from the Fund. The Secretary of State for Business Innovation and Skills has ministerial accountability. A further £1 billion has been made available for future rounds, for which accountability is likely to be shared between the Accounting Officers of the DCLG and the Department for Business, Innovation and Skills (BIS).

Background resources

- NAO report: *The Regional Growth Fund* - Session 2012-13 (HC 17)
- PAC report: *The Regional Growth Fund* - Session 2012-13 (HC 104)
- Treasury Minute: January 2013 (Cm 8534)

Updated Government response to the Committee

There were 7 recommendations in this report. As of the last Treasury Minute (Cm 8534), 4 recommendations were implemented and the department disagreed with 1 recommendation. 2 recommendations remained work in progress, all of which have now been implemented, as set out below.

4: Committee of Public Accounts conclusion
The Treasury's decision to allow the departments to use endowments to avoid surrendering unspent funds at the end of the year risks value for money.

Recommendation 4:
The Treasury should define more clearly the circumstances under which endowments can be used so that value for money is not put at risk and such endowments should be reported to Parliament as integral to the Transparency agenda.

4.1 The Government agreed with The Committee's recommendation.

Recommendation implemented.

4.2 As set out in *Managing Public Money* (MPM), which was revised in July 2013, Annex 5.1 states that endowments should never be used as a way of bringing expenditure forward to avoid an under-spend. Nor is it acceptable to make a string of endowment payments to a single recipient instead of taking specific provision in legislation to pay grants. Endowments are intended for situations where a clear financial break will be advantageous to both recipient and donor. Normally the recipient will be a civil society body or equivalent status.

4.3 Departments contemplating such funding arrangements should consult the relevant Treasury spending team (and in turn arm's length bodies should consult their sponsor departments) as this form of funding is always novel and contentious. The Treasury will need to consider the value for money case for this form of funding, including the opportunity cost of locking public funds into a particular endowment, using investment appraisal techniques; and the value of the particular programme or project against others. The Treasury will need to be satisfied that such funding would not protect any low-value projects or programmes from proper expenditure scrutiny.

6: Committee of Public Accounts conclusion

It is unacceptable that the Department for Communities and Local Government and the Department for Business, Innovation and Skills do not yet have a clear plan for evaluating the Fund's impact.

Recommendation 6:

The Department for Communities and Local Government and the Department for Business, Innovation and Skills should accelerate work on the Fund's plans to evaluate impact and set out how it intends to do so in detail in a letter to the Committee by the end of the year.

6.1 The Government agreed with The Committee's recommendation.

Recommendation implemented.

6.2 As part of its overall evaluation strategy for the Fund, the department commissioned an independent scoping study of impact and economic evaluation options in May 2013, which has recently reported. The recommendations from this study provide a robust framework for undertaking a final evaluation of the Fund, which will be based upon rigorous data, and current best practice in the fields of impact and economic evaluation. Work is now underway to commission the full evaluation, and the department plans to appoint a contractor by October 2014. The department wrote to the Committee, on progress to evaluate the impact of the Fund, on 17 December 2013.

Sixth Report
HM Revenue and Customs
Renewed Alcohol Strategy

Summary of the Committee's findings

In April 2010, HM Revenue and Customs 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.

Background resources

- NAO report: *Renewed Alcohol Strategy*- Session 2010-12 (HC 1702)
- PAC report: *Renewed Alcohol Strategy*- Session 2012-13 (HC 504)
- Treasury Minute: November 2012 (Cm 8467)

Updated Government response to the Committee

There were 5 recommendations in this report. As of the last Treasury Minute (Cm 8467), the department had disagreed with 1 recommendation. 2 recommendations remained work in progress, all of which have now been implemented, as set out below.

2: Committee of Public Accounts conclusion
The department has not produced an estimate of the tax gap for wine despite its commitment to our predecessors to do so.

Recommendation:
The department should improve its understanding of the scale and nature of wine duty evasion and, in accordance with the commitment it gave our predecessors, publish its estimate of the tax gap for wine.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 The department published *Measuring Tax Gaps 2013 (*October 2013), which showed an estimate of the tax gap for wine. Prior to that production, a reliable estimate for wine had proved unsuccessful due to the lack of reliable data available on total volume of consumption of wine in the UK - a crucial component of standard tax gap calculations. However, the department has now obtained commercial data on on-trade consumption, which has allowed it to more accurately calculate total wine consumption and therefore the tax gap between UK consumption and revenues collected. The mid-point estimate suggests a tax gap of 6%, equating to £350 million.

3: Committee of Public Accounts conclusion
The department does not make good enough use of intelligence to disrupt the organised criminal gangs responsible for much alcohol duty fraud.

Recommendation:
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 agreed with the Committee's recommendation.

Recommendation implemented.

3.2 The department has consolidated a number of intelligence functions with Border Force to improve exchange of intelligence, which provides the department with a better understanding of the fraud and methodology being used by organised criminal gangs.

3.3 The department is developing a number of EU intelligence-sharing initiatives and operations. It has also worked with Member States to draw up strategic priorities under European Multi-Disciplinary Platform against Criminal Threats (EMPACT) for 2015-17. The department has obtained agreement that alcohol should be included in that work and that the UK will take the lead. In January 2014, the department launched the 'Joint Alcohol Anti-fraud Task-force' (JAAT) which will explore with industry and other enforcement agencies means to improve intelligence sharing and collaboration against alcohol fraud. The JAAT will report to Treasury Ministers on an annual basis.

4: Committee of Public Accounts conclusion

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.

Recommendation:

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 agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The Excise Movement Control System (EMCS) is currently being used to inform operational compliance and enforcement activity, for example: to identify suspect movements and to interrogate movement data. However, the UK systems have lacked analytical functionality to identify trends, as well as any facility to cross-check with other departmental data sources. Autumn Statement 2012 provided additional funding to enhance the EMCS system by introducing risk functionality, which enables the department to extract and analyse data in the system to improve the risk assessment of movement of excise goods. The new risk functionality has been introduced in phases, with full and final implementation expected in July 2014.

5: Committee of Public Accounts conclusion

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.

Recommendation:

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 agreed with the Committee's recommendation.

Recommendation implemented.

5.2 The department has undertaken a project to develop more detailed assessments of costs and impacts of interventions on which to base future planning. This included work to assess intervention costs of criminal investigation, prosecution and the deterrence effects. The department's assessment is that while it is important to pursue organised criminal gangs through the courts, criminal investigations are not in every case the most impactful tool or the one that generates the greatest deterrent effect. The department has a range of civil and criminal interventions available and will continue to decide on which tools to use according to which have the most impact in particular cases and on the regime generally.

5.3 The department also continues 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: Points Based System – Student Route

Summary of the Committee's findings

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, 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 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.

Background resources

- NAO report: *Immigration: The Points Based System – Student Route* - Session 2010-12 (HC 1827)
- PAC report: *Immigration: The Points Based System – Student Route* - Session 2010-12 (HC 101)
- Treasury Minute: November 2012 (Cm 8467)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8539), 3 recommendations were implemented and the department disagreed with 2 recommendations. 1 recommendation remained work in progress, which has now been implemented, as set out below.

2: Committee of Public Accounts conclusion
Constant changes have resulted in overly complex rules and guidance. The customer support provided by the Agency has not been good enough.

Recommendation:
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 agreed with the Committee's recommendation.

Recommendation implemented.

2.2 On 1 January 2014, UK Visas and Immigration (UKVI) launched a new set of service standards for customers making fee-paying in country applications, including sponsor licence applications. These standards apply to all applications submitted after this date. A new, more transparent service standard framework has been developed, which gives customers greater clarity on what they can expect and when they are likely to receive a decision. The standards make clear how non-compliance with application requirements may affect the level of service received, making it easier for customers to plan.

2.3 The Home Office is progressing with a new simplified format for the Immigration Rules that will provide greater clarity and flexibility for users and applicants, and strengthen the legal framework in order to prevent abuse. Specifically in relation to Tier 4, a reformatted version of the Sponsor guidance was published in April 2014 following extensive consultation with the Higher Education sector.

Eighth Report
Cabinet Office
Managing early departures in central Government

Summary of the Committee's findings

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.

Background resources

- NAO Report**:** *Managing early departures in central Government* - Session 2012-2013 (HC1795)
- PAC Report: *Government Procurement Card* - Session 2012-2013 (HC1959)
- Treasury Minute: November 2012 (Cm 8467)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8467), 2 recommendations were implemented and the department disagreed with 1 recommendation. 3 recommendations remained work in progress, of which 2 have now been implemented and 1 recommendation is no longer being implemented, as set out below.

1: Committee of Public Accounts conclusion
Departments do not have long-term plans in place for new ways of working with fewer staff.

Recommendation:
The Cabinet Office should ensure all departments produce these plans, review their adequacy, and report the results of this review to the Committee by the end of the 2012-13 financial year.

1.1 The Government agreed with the Committee's recommendation.

Recommendation not implemented.

1.2 This recommendation has been superseded by the Functional Leadership Programme which strengthens the corporate centre of Government, and will reduce costs and improve efficiency.

3: Committee of Public Accounts conclusion
Performance appraisal information is not good enough to inform individual early departure decisions.

Recommendation:
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 agreed with the Committee's recommendation.

Recommendation implemented.

3.2 The performance management policy, which was designed in consultation with HR units in departments, is now in place for over 90% of civil servants following its adoption by the National Offender Management Service (NOMS) from April 2014. Smaller organisations that are not implementing the model have aligned to its principles. The Civil Service Competency Framework has also been integrated across the civil service with performance management and development. In addition, the model 'managing poor performance' policy to deal with underperformance is in place for 94% of civil servants. Civil Service Employee Policy continues to provide best practice advice and support for departments.

5: Committee of Public Accounts conclusion

Further staff reductions will be more challenging to deliver than those achieved so far.

Recommendation:

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

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 2013-14 objectives for Permanent Secretaries were published on the Cabinet Office website on 20 December 2013. It was disappointing that these were published so late in the year. The Cabinet Office will improve this process for the future.

Tenth Report

Cabinet Office

Implementing the transparency agenda

Summary of the Committee's findings

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.

Background resources

- NAO Report**:** *Implementing transparency* - Session 2010-2012 (HC1833)
- PAC Report: *Implementing the transparency agenda* - Session 2012-2013 (HC102)
- Treasury Minute: November 2012 (Cm 8467)

Updated Government response to the Committee

There were 8 recommendations in this report. As of the last Treasury Minute (Cm 8467), 1 recommendation was implemented. 7 recommendations remained work in progress, of which 3 have now been implemented, as set out below.

1: Committee of Public Accounts conclusion

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.

Recommendation:

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 agreed with the Committee's recommendation.

Recommendation implemented.

1.2 Following the development of departmental open data strategies, the Cabinet Office has developed an inventory of the Government's data assets, both published and unpublished, with a requirement to identify which datasets are released and reflect this in future revisions of open data strategies. Dataset release continues to be subject to scrutiny and challenge from the Public Sector Transparency Board and the Open Data User Group.

2: Committee of Public Accounts conclusion

The presentation of much Government data is poor.

Recommendation:

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 agreed with the Committee's recommendation.

Target implementation date: 2015.

2.2 The Cabinet Office is engaging with departments on the quality accessibility of data on data.gov.uk, and is working to increase data accessibility. The data.gov.uk website allows the user to download the data in the most appropriate format, where available. The Government Digital Service continues to support departmental activity with visualisation and is developing the performance platform for the top 25 exemplar services.

2.3 The Cabinet Office is looking to implement service level agreements for datasets in the National Information Infrastructure, which will guarantee the frequency of release, quality, format and accessibility. There is ongoing work to identify users of data who are providing different, better or more targeted services using raw open government data. Data.gov.uk has also started to experiment with the visualisation of data, starting with key data on social investment.

3: Committee of Public Accounts conclusion

In some sectors different provider types are subject to different transparency requirements, and this undermines the comparability of data for users.

Recommendation:

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 we can know the cost per pupil in different settings.

3.1 The Government agreed with the Committee's recommendation.

Target implementation date: 2015.

3.2 The Government now has sector boards established in 10 key areas, who work to embed the transparency agenda, including pro-actively promoting comparability and best access to data, in the areas within their remit. As of May 2014, each sector board includes representation from the Open Data User Group. Quarterly Written Ministerial Statements, issued by the Cabinet Office, provide updates on progress.

3.3 The Department for Education now publishes the Income and Expenditure in Academies Statistical First Release (SFR).[37] This SFR covers data on the income and expenditure of academies in England and shows, for each academy, the per-pupil income and expenditure for the year. It has been produced in response to the department's commitment to publish Academy Trusts' financial data in a form that is comparable with the publication of Local Authority (LA) maintained schools data (Consistent Financial Reporting (CFR)). The department is also working to align to the Benchmarking Return (Accounts Return) dataset.

4: Committee of Public Accounts conclusion

Government does not understand the costs and benefits of its transparency agenda.

Recommendation:

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 agreed with the Committee's recommendation.

Recommendation implemented.

4.2 Deloitte, in conjunction with the Open Data Institute, published a report on the value of open data. Deloitte subsequently published another report to support the Shakespeare review of Public Sector Information, citing the economic value of open data to the economy as £6.8 billion. The Open Data User Group continue to advise and write business cases for the prioritisation of the release of datasets as open data based on assessment of wider benefits, user request and that it demonstrates value for money.

[37] https://www.gov.uk/government/publications/income-and-expenditure-in-academies-in-england-academic-year-2011-to-2012

5: Committee of Public Accounts conclusion
The Government has not got a clear evidence based policy on whether or not to charge for data.

Recommendation:
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 agreed with the Committee's recommendation.

Target implementation date: 2015.

5.2 In autumn 2012, the Cabinet Office and the Department for Business, Innovation and Skills jointly commissioned Stephan Shakespeare, the then Chair of the Data Strategy Board, to conduct an independent review into public sector information. Stephan Shakespeare published his report and recommendations (May 2013), including a report by Deloitte on the value of open data. The Government published its response on 14 June 2013. Further work to examine the business models behind trading funds and their data is continuing.

7: Committee of Public Accounts conclusion
Departments do not make it easy for users to understand the full range of information available to them.

Recommendation:
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 agreed with the Committee's recommendation.

Recommendation implemented.

7.2 Data.gov.uk is a digital inventory of published and unpublished data assets. The Cabinet Office published guidance in October 2013 to assist departments in the production of their data inventories.

8: Committee of Public Accounts conclusion
There is a risk that those without internet access will not gain the full benefits of more open public data.

Recommendation:
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 agreed with the Committee's recommendation.

Recommendation implemented.

8.2 In June 2013, the Government established a digital inclusion team within the Government Digital Service. The Government Digital Strategy sets out the Government's commitment to collaborate with partners from the public, private and voluntary sectors to grow digital inclusion.

8.3 In April 2014, the Digital Inclusion Strategy and Charter was published, which sets out a series of actions that the Government and partners will take to reduce the number of digitally excluded people and organisations. These actions will focus on helping people (and charities and businesses) become capable of using and benefiting from the internet. Success will be measured against data available from the Digital Landscape Research and Office of National Statistics.

Eleventh Report

Cabinet Office

Improving the efficiency of central Government office property

Summary of the Committee's findings

Central Government office estate comprises over 5 million m2 of space and costs around £1.8 billion a year to run. Rationalisation of the estate therefore offers the public sector the chance to secure significant efficiency savings. From 2004 to 2010, central Government departments have made savings of around £100 million each year on the cost of offices, largely by moving from traditional cellular offices to open-plan spaces and by improving use of space through approaches such as hot-desking. However, despite the improvements in recent years, Government's use of space is still relatively inefficient compared to the private sector.

Delivering further savings is likely to get progressively more challenging, but if Government can be more ambitious in its approach, then the Committee estimates that they could achieve over £800 million a year in further savings by 2020.

Background resources

- NAO report: *Improving the efficiency of central Government office property* – Session 2010-12 (HC 1826)
- PAC report: *Improving the efficiency of central Government office property* - Session 2012-13 (HC 288)
- Treasury Minute: January 2013 (Cm 8534)

Updated Government response to the Committee

There was 1 conclusion and 6 recommendations in this report. As of the last Treasury Minute (Cm 8534), the department disagreed with 2 recommendations. 3 recommendations remained work in progress, all of which have now been implemented, as set out below.

3: Committee of Public Accounts conclusion

Government is relying on an opportunistic approach to reducing the office estate, limiting the potential for rapid savings.

Recommendation:

The Government Property Unit should agree a strategy for the office estate including targets for savings across Government beyond 2012-13 that reflect what can be achieved with best practice in the use of space.

3.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

3.2 The Government Estate Strategy was published in June 2013. This includes benchmarks (for example: 10 square metres of office space per full time employee by the end of 2015). The Government will soon publish an update of the 2013 Government Property Strategy to reflect the good progress that has been made, an expansion in the scope of our work, and a leap in the scale of our ambition.

5: Committee of Public Accounts conclusion

The potential for further savings on office property will not be realised unless local government and the wider public sector are also involved.

Recommendation:

The Unit should build on its initial engagement with local authorities and incorporate lessons from the CLG pilots to maximise opportunities for other public sector bodies, such as local authorities and the NHS, to share space with central Government.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 The One Public Estate initiative was successfully piloted in 2013 and its extension was announced as part of Budget 2014. This programme aims to encourage central Government, and the wider public sector, to share property and rationalise more effectively.

5.3 Phase 1 of the programme launched in June 2013, has already seen the 12 pilot councils improve local outcomes and generate significant efficiencies by adopting a customer focused approach to existing public assets in their locality. Year one projected savings in running costs are £21 million, with £88 million generated in capital receipts. Further long-term benefits to local economies are estimated at £40 million, including the creation of approximately 5,500 jobs and 7,500 new homes.

7: Committee of Public Accounts conclusion

Government has made slow progress making vacant office space available for productive use.

Recommendation:

The Government Property Unit should accelerate plans to fill vacant space and in particular deliver on its commitment to make more properties available to small businesses.

7.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

7.2 Work to fill and reduce vacant space is ongoing. The Government Space for Growth project allows SMEs to use vacant space in central Government buildings. There are currently over 1500 work stations available in 59 different locations.

Twelfth Report

Cabinet Office

Off-payroll arrangements in the public sector

Summary of the Committee's findings

The public sector must itself maintain the highest standards of propriety in its employment practices if it is to show leadership in the fight against tax avoidance. It must avoid the practice of using off-payroll arrangements for staff who should be on the payroll - a practice which generates suspicions of complicity in tax avoidance and which fails to meet the standards expected of public officials. Those whose income is derived from monies raised through taxation have a particular obligation to make sure that they do not use tax avoidance schemes.

Background resources

- HMT Report**:** *Review of the tax arrangements of public sector appointees*
- PAC Report: *Off-payroll arrangements in the public sector* - Session 2012-2013 (HC532)
- Treasury Minute: January 2013 (Cm 8534)

Updated Government response to the Committee

There was 1 conclusion and 6 recommendations in this report. As of the last Treasury Minute (Cm 8534), 2 recommendations were implemented, the department disagreed with 2 recommendations, and 1 recommendation was for the BBC to address. 1 recommendation remained work in progress, which has now been implemented, as set out below.

7: Committee of Public Accounts conclusion

The public sector's dependence on interim staff reflects a lack of specialist and professional skills within Government.

Recommendation:

The Cabinet Office should demonstrate how the Civil Service Reform Plan will address the issues the key skills gaps that remain prevalent in Government.

7.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

7.2 The Cabinet Office published the Civil Service Capabilities Plan in April 2013. The plan addresses capability across the Civil Service and is intended to ensure that the right structures, processes and skills are in place to meet the current and future demands of Government. It focuses on four areas of long-term weakness which require urgent improvement:

- commercial skills and behaviours;
- delivering successful projects and programmes;
- redesigning services and delivering them digitally; and
- leading and managing change.

7.3 Progress has been made by building skills through learning and development; borrowing skills through deployment across departments and secondments across sectors; and buying skills where necessary from the external market. Departments now conduct an annual skills review to understand their capability requirements, the results of which inform published Departmental Improvement Plans and the annual refresh of the Civil Service-wide Capabilities Plan, published in 2014.

Thirteenth Report

Department for Communities and Local Government

Financial viability of the social housing sector: introducing the Affordable Home Programme

Summary of the Committee's findings

In December 2010, the Government announced the Affordable Homes Programme, under which there is £1.8 billion capital funding in Government grants to social housing providers. The Department for Communities and Local Government has overall responsibility for the Programme, which is delivered by the Homes and Communities Agency through contracts with housing providers.

Background resources

- NAO report: *Financial viability of the social housing sector: introducing the Affordable Homes Programme* - Session 2010-12 (HC 465)
- PAC report: *Financial viability of the social housing sector: introducing the Affordable Homes Programme* - Session 2012-13 (HC 388)
- Treasury Minute: January 2013 (Cm 8534)

Updated Government response to the Committee

There were 5 recommendations in this report. As of the last Treasury Minute (Cm 8534), 1 recommendation was implemented. 4 recommendations remained work in progress, all of which have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
The department has not done enough to understand the full impact of higher rent levels on tenants.

Recommendation:
The department should consult tenants and providers to understand the impact of the higher rent levels on tenants, and commission research into the financial and other characteristics of those tenants living in 'affordable rent' homes and build the results into future programmes.

1.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

1.2 The department has completed an internal review of the affordable rent model. Interviews have been conducted with registered providers delivering the Affordable Homes Programme and analysis of CORE lettings data has been undertaken to identify the characteristics of tenants in affordable rent lettings.

1.3 The existing Impact Assessment of the Affordable Rent model has been updated to provide a new assessment of the value for money of the model, informed by outturn data from the first two years of the Affordable Homes Programme. The approach and findings from the review are currently being subject to an external independent peer review before being submitted to Ministers.

2-3 and 5: Committee of Public Accounts conclusions
The allocation of funds under the Programme did not fully focus on the areas of greatest need. It is unclear whether the shift of public resources from capital grants to increased housing benefits will provide better value for the taxpayer. The Programme has taken advantage of the sector's current financial capacity, but this may be a one-off opportunity.

Recommendations:
2: The department and the Agency should ensure that decisions to allocate resources in future social housing programmes prioritise areas of greatest need and target families in greatest need.

2-3 and 5: Committee of Public Accounts recommendations

Recommendations:

3: The department should review whether and how the current mix of revenue and capital funding provides best value for money for the taxpayer and tenants over time and take the results into account in future programmes.

5: The Agency should analyse the financial position of providers to assess whether the model can be repeated, providing more certainty to the sector on its intentions for social housing beyond 2015.

2.1 The Government agreed with the Committee's recommendations.

Recommendations implemented.

2.2 The Spending Round in June 2013 provided £3.3 billion of funding for a new Affordable Homes Programme from 2015 to 2018. In January 2014, the department published the prospectus for the 2015-18 Affordable Homes Programme, which sets out the policy framework and bidding guidance for the new programme. The programme builds on the successful model which is delivering 170,000 homes over 4 years between 2011 and 2015. The new programme aims to deliver 165,000 homes over 3 years, by using the Government funding to lever in around £20 billion of private finance, and driving value for money.

Fourteenth Report
Cabinet Office
Assurance for major projects

Summary of the Committee's findings

The Major Projects Authority was set up in 2011 to address weaknesses in the central system for assuring major projects across Government. The Authority, a partnership between HM Treasury and the Cabinet Office, is responsible for examining and reporting on projects , and intervening where they are going off track. The Authority has made good progress in its first year, but, with only one third of major projects being delivered to time and budget, much more needs to be done.

Background resources

- NAO report: *Assurance for major projects* - Session 2010-12 (HC 1698)
- PAC report: *Assurance for major projects* - Session 2012-13 (HC 384)
- Treasury Minute: February 2013 (Cm 8556)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8556), 1 recommendation was implemented. 5 recommendations remained work in progress, of which 4 have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
Departments' compliance with the Authority's procedures for assuring major projects is too variable.

Recommendation:
Departments should ensure that prioritizing the successful delivery of projects and compliance with the Authority's assurance arrangements, such as IAAPs, is a formal part of the objectives of Senior Responsible Owners and Accounting Officers.

1.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

1.2 Integrated Assurance and Approval Plans (IAAP) coverage is comprehensive across the Government Major Project Portfolio (GMPP) projects. The Major Projects Authority (MPA) works with departmental project teams to ensure that key milestones remain on track for delivery and, where there is slippage that matters are escalated. To embed this process further, MPA has asked Permanent Secretaries to include within SRO appointment letters objectives, project milestones and terms of tenure.

3: Committee of Public Accounts conclusion
The Treasury is not making best use of the data on major projects that is now available to manage the government's financial position.

Recommendation:
The Treasury should routinely use the Authority's data on the major projects portfolio to manage its spending and prioritise resources between projects.

3.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

3.2 The Major Project Authority's GMPP data continues to be routinely shared with Treasury spend teams.

4: Committee of Public Accounts conclusion
The Authority has much more work but far fewer resources than the part of the Office of Government Commerce it replaced.

Recommendation:
The Authority and the Treasury should quantify the return on investment from the Authority's work to identify whether further investment would benefit the taxpayer.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The Cabinet Office agreed that further investment would benefit the taxpayer. The MPA helped departments save £3.3 billion for 2013-2014, against a 2009-2010 baseline, through tackling waste and inefficiencies in large-scale projects. Recognising its value to the taxpayer, MPA's budget has increased and it has almost 80% more staff than it had at the time the Committee originally reported. As set out in the MPA Annual Report, the MPA maintains a 'Delivery Confidence Assessment' of all projects in the Government Major Projects Portfolio. MPA is in the process of implementing Lord Browne's recommendations and is reporting back to Lord Browne on progress.

4.3 Since Budget 2013, Lord Deighton, has been working with key infrastructure departments (Department for Transport, Department of Energy and Climate Change, Department for Environment, Food and Rural Affairs, Department for Culture, Media and Sport) alongside the Major Projects Authority and Shareholder Executive, to help them strengthen their approach to infrastructure delivery, building on his experience of delivering a world-class Olympic Games. As part of this process, each department has been responsible for developing and implementing an Infrastructure Capacity Plan (ICP), which addresses resourcing and governance needs across their infrastructure portfolio.

5: Committee of Public Accounts conclusion
The Authority's Major Projects Leadership Academy is a welcome step forward in strengthening the project management skills of civil servants, but retaining and making best use of those trained will be a challenge.

Recommendation:
The Executive Director of the Authority (as head of the Government's project and programme profession) should be responsible for co-ordinating the career planning and deployment of staff with relevant project management skills across Government, and particularly those graduating from the Leadership Academy, to minimise staff losses in this area.

5.1 The Government agreed with the Committee's recommendation.

Target implementation date: December 2014.

5.2 MPA has made considerable progress, which will be set out in the Annual Refresh of the Capabilities Plan in summer 2014. The Refresh will also set out actions on the leadership and capability for the project delivery profession, including proposals for the management of MPLA graduates as a cross Government resource to lead on the high profile and challenging projects across Government.

6: Committee of Public Accounts conclusion
The Authority has failed to make progress on publishing project status information.

Recommendation:
The Committee expects the complete and transparent disclosure of information on project status, including the current delivery confidence rating, with immediate effect, and will expect to receive annual updates on the performance of projects in the Authority's portfolio.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 The MPA published its first Annual Report in May 2013, and an update in May 2014. It will be published annually thereafter. The report includes data on project delivery performance.

Fifteenth Report
Department for Work and Pensions
Preventing fraud in contracted employment programmes

Summary of the Committee's findings

The Department for Work and Pensions spends around £900 million annually on programmes to help unemployed people find and sustain work through its contracts with a range of companies and some charities. The design of effective controls to prevent and detect contractors committing fraud is key to ensuring these programmes deliver value to participants and employers while protecting the public purse.

Background resources

- NAO Report**:** *Preventing fraud in contracted employment programmes* - Session 2012-2013 (HC90)
- PAC Report: *Preventing fraud in contracted employment programmes* - Session 2012-2013 (HC103)
- Treasury Minute: January 2013 (Cm 8534)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8534), 2 recommendations were implemented and the department disagreed with 2 recommendations. 2 recommendations remained work in progress, which have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
The department has not exercised sufficient oversight of its contractors to identify potential fraud and improper practice.

Recommendation:
The department should review its oversight arrangements for all its contracted employment programmes to ensure that they are fit for purpose. The arrangements should include reassessing the role, qualifications and expertise of the department's provider assurance team, which visits providers to examine governance arrangements, service delivery, financial procedures and data security; obtaining copies of all providers' relevant internal audit reports; the department instigating unannounced visits to providers and undertaking sample checks with both clients, training providers and employers; and early publication of data so that varied practices between contractors become obvious.

1.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

1.2 The design of the Work Programme specifically took account of the failings in past contracts. The department has concluded that all provider assurance team members have the qualifications and training relevant to their job role. Further fraud awareness training was delivered by March 2013.

1.3 Following a pilot, the provider assurance team now routinely reviews all provider audit plans. Additionally, the department's Internal Audit and Investigations team will review providers at short notice. However, unannounced visits to provider sites would only happen when urgent evidence needs to be secured.

1.4 Performance data, enabling comparisons between providers, is now published quarterly. In addition, the department published an annual report on contracted employment provision in October 2013.

5: Committee of Public Accounts conclusion

There is no mechanism to raise service standards set at the start of the Work Programme over time.

Recommendation:

The department should take steps to satisfy public confidence in providers by publishing relevant information on its website about its main providers, including corporate governance, ownership structures, performance information, levels of fraud detected and complaints received and how they have been resolved.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 The department has published information on providers, including performance information and supply chain details. However, it is not for the Government to publish detailed information about its suppliers' governance or ownership structures, not least because of the scale of the task involved in collating and maintaining information on the thousands of firms supplying Government: for example, it would be difficult to justify singling out contracted employment programme providers.

5.3 The department published an annual report on contracted employment provision in October 2013, which provides facts and figures and an overview of trends. The vast majority of complaints are resolved satisfactorily between participants and providers. The Independent Case Examiner reports on cases escalated to them, so there is not a requirement for the department to duplicate this work.

Sixteenth Report
Department of Health
Securing the future financial sustainability of the NHS

Summary of the Committee's findings

In 2011-12 NHS organisations in England reported a combined overall surplus of £2.1 billion. There were, however, significant variations in performance between NHS bodies. 377 NHS organisations reported a surplus in the year, but 10 NHS trusts, 21 NHS foundation trusts and three Primary Care Trusts (PCTs) reported a combined deficit of £356 million. Eleven NHS foundation trusts would not have made foundation trust status today given their financial performance, and there is a real concern that some organisations will fail.

Background resources

- NAO report: *Securing the future financial sustainability of the NHS* - Session 2012-13 (HC 191)
- PAC report: *Securing the future financial sustainability of the NHS* - Session 2012-13 (HC 389)
- Treasury Minute: January 2013 (Cm 8534)

Updated Government response to the Committee

There was 1 conclusion and 5 recommendations in this report. As of the last Treasury Minute (Cm 8534), 1 recommendation was implemented. 4 recommendations remain work in progress, as set out below.

2: Committee of Public Accounts conclusion
The department and Monitor were unable to explain how they expect proposed risk pools to work.

Recommendation:
The department and Monitor should clarify how risk pools will work from April 2013, and how they will manage the risk of creating an uneven playing field.

2.1 The Government agreed with the Committee's recommendation.

Target implementation date: April 2015.

2.2 The Government recently published its response to the consultation on: *Protecting patients interests ensuring continuity of NHS services: proposals for a Health Special Administration procedure for companies*, which confirms the Government will not be introducing a Health Special Administration regime or risk pool in April 2014 as proposed.

2.3 There are various complexities around implementing a risk pool that would need to be fully worked through before a risk pool could be introduced in a way that is practical and fair. These complexities cannot be worked through until there is a better understanding of which services are designated as commissioner requested services. In the absence of a risk pool, there will be no changes to the funding arrangements for the existing special administration regimes. The Government may review the implementation of a risk pool at a later date.

3: Committee of Public Accounts conclusion
The department has not clearly explained the circumstances in which it would apply the failure regime to hospital trusts.

Recommendation:
The department, Monitor and the NHS Commissioning Board must set out clear principles for intervention that explain to trusts and the public the circumstances in which they would implement the special administration regime, and what the consequences would be, including whether an insolvent trust would be allowed to fail and how Ministerial intervention will work.

3.1 The Government agreed with the Committee's recommendation.

Target implementation date: September 2014.

3.2 The department will publish, in 2014, its criteria on whether to provide turnaround finance or trigger special administration. The criteria will need to take account of new powers in the Care Act 2014 to trigger the trust special administration regime for quality failure.

3.3 The department and Monitor will also be revising their statutory guidance to trust special administrators appointed to NHS trusts and foundation trusts to incorporate new powers and requirements in the Care Act. The trust special administration regime is only expected to be triggered, in exceptional cases, as a way of dealing with intractable and significant failure at NHS provider trusts. There are various actions that could happen before the regime is enacted, which include warning notices from the CQC to make significant improvements where there are serious failings in quality of care, and the range of intervention powers available to Monitor and the TDA.

5: Committee of Public Accounts conclusion

Liabilities under PFI contracts create additional problems and cause some trusts to remain in deficit. A number of trusts in financial difficulty have PFI contracts with fixed annual charges that are so high they cannot be financially viable.

Recommendation:

The department should report back to the Committee on whether it has achieved 5% savings on annual unitary charges for PFI projects as the Treasury Pilot concluded were achievable, and whether there has been any adverse impact on services.

5.1 The Government agreed with the Committee's recommendation.

Target implementation date: Summer 2014.

5.2 Guidance was produced following the Romford review and the department held seminars and follow up sessions. The department continues to work with individual operational PFI projects to secure savings as well looking at generic ideas that can be applied.

5.3 The Romford Hospital PFI was chosen as the pilot as it contains the widest range of features within health PFIs such as soft FM, insurance benchmarking and a managed equipment service. The majority of the 5% savings came from two of those features - the value testing of soft FM services; and the insurance cost sharing arrangements. Not all health PFIs have these features - for example: only 60% include soft FM services. Similarly some savings at Romford were generated by an insurance cost sharing mechanism which was only introduced later with the PFI standard form contract. Therefore the full 5% savings will not be achievable across all the projects. A full data collection will start June 2014, after which an analysis of the savings achieved, and outcomes, will be possible.

6: Committee of Public Accounts conclusion

Some service reconfiguration, within the NHS, to reduce costs is inevitable, but the relevant cost and outcome data to inform public debate is not available either to CCGs or members of the public.

Recommendation:

The department should work with the NHS Information Centre to ensure that information on costs and outcomes is easy for members of the public to access and understand.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2016.

6.2 Service reconfigurations should be underpinned by evidence and analysis of activity throughput and case mix along with information about the workforce and estate. Assumptions around any reconfiguration will vary depending on analyses of assessed need and planned activity levels using information obtained locally and supplemented with national data from the Health and Social Care Information Centre (HSCIC) on areas such as workforce, estates and hospital activity.

6.3 In 2014-15 the HSCIC will work with Trusts, Monitor and TDA to:

- explore what kind of nationally and locally-sourced information and analyses are used routinely to inform reconfiguration plans

- improve the collective ability to make relevant national and local data on cost and outcomes easily available and readily understandable for commissioners in CCGs and for the public at large in order to help deliver a better informed debate on reconfiguration of services.

6.4 The HSCIC will also participate in discussions with the department, NHS England and the TDA to determine how the local data may be collected and shared nationally to bring about greater transparency and accountability to reconfiguration exercises.

Seventeenth Report

Department of Health

The management of adult diabetes services in the NHS

Summary of the Committee's findings

In 2009-10, there were 2.3 million adults diagnosed with diabetes in England and a further 800,000 people suffering from diabetes who remained undiagnosed. The percentage of the population diagnosed with diabetes doubled between 1994 and 2009 and is continuing to increase. The Department of Health projects that the number of people with diabetes (diagnosed and undiagnosed) will rise from 3.1 million to 3.8 million by 2020. The NAO estimates that, in 2009-10, NHS spending on diabetes services in England was at least £3.9 billion, although this figure is likely to be an underestimate**.** The projected increase in the diabetic population could have a significant impact on NHS resources**.**

Background resources

- NAO report: *The Management of Adult Diabetes Services in the NHS* - Session 2012-13 (HC 21)
- PAC report: *The Management of Adult Diabetes Services in the NHS* - Session 2012-13 (HC 289)
- Treasury Minute: April 2013 (Cm 8556)

Updated Government response to the Committee

There were 7 recommendations in this report. As of the last Treasury Minute (Cm 8347), the department disagreed with 1 recommendation. 6 recommendations remained work in progress, of which 3 have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
NHS accountability structures have failed to hold commissioners of diabetes services to account for poor performance.

Recommendation:
The department should set out how the NHS will deliver improvements specifically in diabetes care under the new accountability arrangements, setting out under what circumstances and how the NHS Commissioning Board will intervene.

1.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

1.2 The Government holds NHS England to account for driving improvement in the quality of NHS services against the outcomes in the NHS Mandate. Improvements for diabetes will be captured through the NHS Outcomes Framework. NHS England has a dual role: as a direct commissioner of services, and as a support to the rest of the commissioning system. NHS England appointed a National Clinical Director for Obesity and Diabetes to provide clinical leadership in these two functions, and in January published *Action for Diabetes* to set out how it will drive the prevention of Type 2 diabetes and earlier diagnosis of all diabetes and support better management of diabetes in these two roles.

1.3 NHS England is working on tools and resources for CCGs to support them in delivering high-quality diabetes care, on ensuring robust and transparent outcomes information, and on empowering patients to make choices about their own health and care. NHS England is also responsible for ensuring that CCGs secure an improvement in outcomes, using the CCG Assurance Framework to assess progress. Where CCGs are found to be at risk of failing to deliver improvements, NHS England will support them, with statutory intervention powers remaining a last resort where CCGs demonstrably lack the capacity to deliver these.

2 and 3: Committee of Public Accounts conclusions

Only half of people with diabetes receive all the basic tests to monitor their Condition. Fewer than one in five people with diabetes have achieved the recommended levels for blood glucose, blood pressure and cholesterol. Failure to carry out these simple checks heightens the risk of diabetic patients developing complications.

Recommendations:

The department should aim to achieve universal coverage and urgently set out clear outcomes it would expect to achieve by 2014-15 and beyond. The department should set out when it expects to increase significantly the proportion of people with diabetes achieving all three outcomes, and define what that proportion should be.

2.1 The Government agreed with the Committee's recommendations.

Recommendations implemented.

2.2 Since the report was published in 2012, the department has passed responsibility for the delivery of diabetes care to NHS England in line with the Health and Social Care Act 2012.

2.3 The management of people with diabetes in primary care is measured and reported on through the Quality and Outcomes Framework, the CCG Outcomes Indicator Set (OIS) and National Diabetes Audit. These data are used by local commissioners, providers and healthcare professionals to assess the quality of the services delivered and to drive improvement. NHS England is currently trialling a draft service specification for diabetes to support effective commissioning.

2.4 The latest data available relates to the year 2011-12 (data for 2012-13 is expected autumn 2014) shows 60.5% of people with diabetes received all NICE key processes tests to monitor their care (compared with 36% in 2006-7); and 20.8% of patients with diabetes were achieving the recommended levels for blood glucose, blood pressure and cholesterol (compared with 19.3% in 2009-10). However, the aggregate percentage figure is a composite measure of all three levels being met and it is not clinically appropriate to meet all three levels in all instances. For example: driving blood pressure too low, particularly in the elderly, can be associated with greater risk of falls, A&E attendances and emergency admissions.

4: Committee of Public Accounts conclusion

The department is not effectively incentivising delivery of all aspects of its recommended standards of care through the payments systems.

Recommendation:

The department needs to ensure that its payment systems effectively incentivise good care and better outcomes for people with diabetes.

4.1 The Government agreed with the Committee's recommendation.

Target implementation date: March 2016.

4.2 NHS England's future commissioning of primary care services will be informed and guided by the development of the primary care workstream of the Call to Action on the future of the NHS. This workstream is considering what the tools and levers might be used to drive and encourage better management of all long-term conditions, including diabetes.

4.3 NHS England has recently published a report on phase one of work to improve general practice. Area Teams are working with CCGs to reflect this in local strategies for primary care services. The focus at a national level is on seven main areas of work, one of which is: *Supporting investment and redesigning incentives* - supporting a shift of resources towards general practice and 'wrap-around' community services, developing the national GP contract and developing innovative new forms of incentives that reward the best health outcomes. A Quality Premium is available for CCGs as outlined in the 2014-15 planning guidance *Everyone Counts* (published December 2013), to deliver the outcome of securing additional years of life for the people of England with treatable mental and physical health conditions.

5: Committee of Public Accounts conclusion

The department has improved information on diabetes but this information is not being used effectively by the NHS to assess quality and improve care, and cost information needs to be improved.

Recommendation:

The department should use its information to hold the NHS to account and should work with the NHS to ensure that the costs of diabetes are fully captured and understood to promote appropriate services and better outcomes for patients.

5.1 The Government agreed with the Committee's recommendation.

Target implementation date: March 2016.

5.2 NHS England has a key role to ensure that, as statutory organisations, CCGs deliver the best possible services and outcomes for patients within their financial allocation. NHS England will continue to work with CCGs to improve the capture and publication of data. Once published, it is for CCGs to assess why the outcomes they achieve vary from the average, and to determine what course of action to take as a result.

5.3 The actions NHS England is taking to improve the quality of data relating to the cost of diabetes include: working with a small number of CCGs to pilot the 2013-14 programme budgeting collection in order to identify potential improvements to the guidance and systems / processes; reviewing the miscellaneous expenditure to see if this can be presented in a more useful and meaningful way for commissioners; and introducing a new validations process and data quality warnings for some organisations.

7: Committee of Public Accounts conclusion

The projected increase in the diabetic population could have a significant impact on NHS resources.

Recommendation:

The department and Public Health England should set out the steps they will take to minimise the growth in numbers through well-resourced public health campaigns and action on the risk factors for diabetes, such as the link with obesity, and the complications they can cause.

7.1 The Government agreed with the Committee's recommendation

Target implementation date: December 2015.

7.2 The Government is committed to tackling unhealthy weight and obesity, which is a major risk factor for type 2 diabetes. Actions to date include publishing *Healthy Lives, Healthy People: A Call to action on obesity in England*, *The Public Health Responsibility Deal*, *The 2013 Food Network Programme*, continued investment in the *Change4Life* programme, and the NHS Health Check programme. The recently published Public Health England business plan for 2014-15 highlights the intention to prioritise tackling risk factors associated with diabetes.

Eighteenth Report

HM Treasury

Creation and sale of Northern Rock

Summary of the Committee's findings

The run on deposits at Northern Rock in September 2007 was one of the key moments in a financial crisis whose effects continue to be felt today. After nationalising Northern Rock in February 2008, the Treasury decided to split out a new retail bank, (Northern Rock plc), for sale, and to run-down the majority of the mortgage assets in a separate public sector vehicle, Northern Rock (Asset Management) plc. Northern Rock plc was sold to Virgin Money in 2011 for proceeds currently estimated at £931 million, an expected loss of £469 million. The Treasury hopes to recover all the public funds provided to Northern Rock.

Background resources

- NAO report: *Creation and sale of Northern Rock plc* - Session 2012-13 (HC 20)
- PAC report: *Creation and sale of Northern Rock plc* - Session 2012-13 (HC 552)
- Treasury Minute: February 2013 (Cm 8556)

Updated Government response to the Committee

There was 1 conclusion and 6 recommendations in this report. As of the last Treasury Minute (Cm 8556), 3 recommendations were implemented. 3 recommendations remained work in progress, all of which have now been implemented, as set out below.

2: Committee of Public Accounts conclusion
This will not be the last banking crisis, and the next one is likely to be different.

Recommendation:
The Treasury should update the Committee by June 2013 on progress made in implementing the recommendations of the White Review.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 The Treasury wrote to the Committee in July 2013 setting out progress against its response to the recommendations in the *Review of the HM Treasury's management response to the financial crisis*.

4: Committee of Public Accounts conclusion
The Treasury did not effectively challenge the business plan put forward by the bank's management to split the bank.

Recommendation:
The Treasury must ensure it has access to the skills it needs to challenge all the banks in which it holds shares.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The Treasury set up UK Financial Investments (UKFI) in 2008 to manage the Government's shareholdings in The Royal Bank of Scotland Group, Lloyds Banking Group (LBG) and UK Asset Resolution. UKFI's objective is to manage these shareholdings commercially to create and protect value for the taxpayer as shareholder and to devise and execute a strategy for realising value for the Government's investments. UKFI is mainly staffed by experienced financial sector professionals. UKFI also procures external advice where necessary, such as to advise on asset disposals.

4.3 In its report on the first sale of shares in LBG, the NAO found that UKFI "*provided the Treasury with greater expertise*", and recommended that other departments should also consider hiring experts directly and retaining them in-house.

6: Committee of Public Accounts conclusion

Once UKFI decided to sell the bank, the sale was handled well, but the low level of competition does not give us confidence that the taxpayer will make a profit on the sale of RBS or Lloyds.

Recommendation:

The Treasury should ensure that lessons it learns from the sale are captured and can be applied to future disposals, including any sale of RBS or Lloyds.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 UK Financial Investments (UKFI) is responsible for developing strategies to dispose of the Government's investments in financial institutions in an orderly and active manner, within the context of protecting and creating value for the taxpayer, paying due regard to financial stability and to acting in a way that promotes competition. UKFI will look at the full range of alternatives for investment, and will make its recommendations based on market conditions, an assessment of investor demand and on value for money considerations. The ultimate decision to proceed with any transaction will rest with the Chancellor of the Exchequer.

6.3 The Treasury has applied relevant lessons from the Northern Rock sale in the sales of its shareholdings in Lloyds, and will continue to do so in future sales of Lloyds and RBS shares. The National Audit Office judged that the Government's first sale of shares in Lloyds in September 2013 was managed effectively and provided value for money, in line with UKFI's stated mandate and core objectives.[38]

[38] https://www.nao.org.uk/report/first-sale-of-shares-in-lloyds-banking-group/

Nineteenth Report

HM Revenue and Customs

HMRC Annual Report and Accounts 2011-12

Summary of the Committee's findings

Transparent, predictable and fair taxation is at the core of our public finances. The Government has a responsibility to assess and collect tax due from all taxpayers, without fear or favour, and taxpayers should pay all that tax which is due. Whilst the Committee looked at a range of issues among HM Revenue and Customs' activities, the Committee's principal enquiries were into the corporation tax paid by multinational companies.

Background resources

- NAO report: HM Revenue and Accounts 2011-12 – Session 2012-13 (HC 38)
- PAC Report: HMRC: Annual Report and Accounts 2011-12 Session 2012-13 (HC 716)
- Treasury Minute: February 2013 (Cm 8556)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8556), 2 recommendations were implemented and the department disagreed with 2 recommendations. 2 recommendations remained work in progress, all of which have now been implemented, as set out below.

1: Committee of Public Accounts conclusion

The UK Government needs to get a grip on large corporations which generate significant income in the UK but pay little or no tax.

Recommendation:

HMRC should work with the Treasury to police UK tax borders more efficiently, introducing national measures to secure a fair contribution to the tax base from multinational corporations; and lead international efforts, particularly within the EU, to reform the way in which multinational companies are able to transfer earnings overseas and thereby potentially avoid tax payments.

HMRC should publish clear sector benchmarks for common charges such as royalty payments and intellectual property rights; and develop best practice standards in the information companies should make publicly available about their tax practices and work with the relevant bodies to make them part of mandatory reporting requirements.

1.1 The Government agreed with points one and two of the Committee's recommendation but disagreed with publishing clear sector benchmarks and mandatory reporting requirements for tax practices.

Recommendation implemented.

1.2 The department created a cross-directorate Large Business Task Force (announced at Autumn Statement 2012) with an increasing portfolio of risk-assessment activities to complement the additional transfer-pricing resources. Amendments were made in Finance Bill 2014 to Controlled Foreign Companies (CFC) legislation that prevents companies creating artificial structures to facilitate moving intra-group lending receipts overseas. A further amendment to CFC rules prevented groups from moving interest receipts out of the UK.

2: Committee of Public Accounts conclusion

HMRC needs to be seen to challenge practices to prevent the abuse of transfer pricing, royalty payments, intellectual property pricing and interest payments

Recommendation:

HMRC should direct more effort into challenging artificial arrangements, and be more willing to prosecute improper corporate arrangements and make more information available to the public about this aspect of its work.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 The expansion of the Transfer Pricing Group announced at Autumn Statement 2012 is now complete with all additional posts filled and new specialists starting to make significant contributions to the Group work.

Twentieth Report

Department of Energy and Climate Change

Offshore electricity transmission - a new model for infrastructure

Summary of the Committee's findings

The Department for Energy and Climate Change estimates that offshore wind farms have the potential to contribute 8-15% of electricity by 2020. This will require a large investment in offshore infrastructure, including around £8 billion of investment in transmission assets (offshore platforms, cables and onshore substations) to bring electricity from offshore wind farms onshore to the national electricity grid.

Background resources

- NAO report: *Offshore electricity transmission: a new model for infrastructure* - Session 2012-13 (HC 22)
- PAC report: *Offshore electricity transmission - a new model for infrastructure*- Session 2012-13 (HC 621)
- Treasury Minute: March 2013 (Cm 8586)

Updated Government response to the Committee

There were 4 recommendations in this report. As of the last Treasury Minute (Cm 8586), 1 recommendation was implemented and the department and the authority disagreed with 2 recommendations. 1 recommendation remained work in progress, which has now been implemented, as set out below.

3: Committee of Public Accounts conclusion

The licencing system relies on effective competition to keep down prices for consumers but it is not clear that a diverse and competitive market has been created.

Recommendation:

The Authority should monitor the offshore transmission market and should refer the market to the Competition Commission if consolidation by a few companies undermines competition.

1.1 The Government and the Authority agreed with the Committee's recommendation.

Recommendation implemented.

1.2 The Authority notes that there is currently a good level of price competition in the Offshore Transmission Owner (OFTO) market, with a wide variety of investors to date, and a healthy appetite for recent tenders.

1.3 In its *'Consultation on licence policy for future tenders',* published on 30 November 2012, the Authority noted that in relation to onshore networks, Ofgem will advise the merger authorities and the Government on any relevant mergers based on the relevant factors surrounding the merger in question. Following an assessment of consultation responses, and further input from its technical and financial advisers, the Authority published a *Statement on future generator build tenders* on 18 July 2013. This states that the Authority intends to apply a similar principle to the treatment of any possible future OFTO mergers, in line with our statutory duties and our objectives for the offshore regime.

Twenty First Report
Ministry of Justice
The Ministry of Justice's Language Services Contract

Summary of the Committee's findings

When participants in the justice system do not speak English as their first language, it is essential for justice that they are provided with interpretation services. The Ministry of Justice provides translators and interpreters to defendants at particular stages of the justice process. Before January 2012, the Ministry generally booked interpretation services directly with individual interpreters, many of whom were listed on the National Register of Public Service Interpreters (NRPSI). This approach was administratively inefficient; for example, individual Courts booked and paid interpreters separately. The Ministry decided to set up a new centralised system for procuring language services intending the new system to be better quality, cheaper and more efficient.

Background resources

- NAO report: *Ministry of Justice: Language Service Contract* – Session 2012-13
- PAC report: *Ministry of Justice: Language Service Contract* - Session 2012-13 (HC 620)
- Treasury Minute: February 2013 (Cm 8556)

Updated Government response to the Committee

There were 7 recommendations in this report. As of the last Treasury Minute (Cm 8556), 7 recommendations remained work in progress, of which 6 have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
The Ministry lacked management information on the previous use of interpreters and therefore did not have a clear understanding of its requirements under the new system.

Recommendation:
The Ministry should ensure that it understands the services it needs to procure thoroughly and its cost before commencing future procurement projects.

1.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

1.2 The department used data sampling and modelling to inform the procurement exercise as an alternative to management information. The lack of management information was one of the reasons for the inadequacy of the old system. The department's approach to management information was considered as part of a lessons learned exercise to provide assurance to the Executive Management Committee of the Board (EMCB). Membership of the Board is the Permanent Secretary and the Directors Generals. The exercise was carried out internally by officials who have not been involved in either the procurement or implementation processes, providing an appropriate level of independence.

1.3 The Ministry is in a good position with extensive management information on languages, locations and numbers from the Capita Contract. Additional processes have also been put in place to capture any off contract contingency arrangements in order to complete the full picture for the next generation framework and contract.

2: Committee of Public Accounts conclusion
The Ministry did not conduct thorough due diligence checks on Applied Language Solutions (ALS) before signing the Framework Agreement.

Recommendation:
The Ministry should collect all available information on a bid and bidder, and consider the full data set at an appropriate level of seniority, before making final decisions on future contracts.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 The department operates a risk-based approach to due diligence, with more extensive procedures for large and more complex procurement processes. The department considers credit rating reports and a number of other factors relating to capability and past performance. It also draws on skills and experience from internal Analytical Services and external Financial Consultants to provide specialist advice on the development of financial models and evaluating financial submissions. The department remains committed to the Government's goal that 25% of spend should be with SMEs.

2.3 The department now uses the Cabinet Office pre-qualification questionnaire to determine the suitability of a supplier to deliver strategically important contracts. This questionnaire has been built into the department's electronic sourcing tool for all procurements. Revised guidance on financial due diligence is being prepared with Legal and Finance colleagues for issue to all procurement staff and training products are being sourced to supplement this.

3: Committee of Public Accounts conclusion

Despite very poor performance, the Ministry only penalised the supplier £2,200 and failed to penalise it at all for the first 4 months, when performance was at its worst.

Recommendation:

The Ministry should draft and implement future contracts so as to minimise transitional problems, for example through piloting and rolling-out new systems gradually and incentivising contractors to meet contractual requirements from the outset; for example, through robust use of the penalties available.

3.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

3.2 Service credits were not imposed immediately to allow a transition time and to build supplier relationships. When rolling out future contracts, the department will consider how best to account for the risks and costs of transition, as well as maintaining the status quo and the need to maintain pace. The department will continue to refine the use of incentives and remedies for default in contracts, subject to the law on penalties. The department has established a programme led by the DG Finance and Assurance for a new contract methodology, which will be in place by the end of the financial year. The department is involving the Cabinet Office and the NAO on this programme.

4: Committee of Public Accounts conclusion

The Ministry estimated that it would need access to 1,200 interpreters to meet its requirements; however, the contract went live when the supplier had only 280 interpreters ready to work under the terms of the contract.

Recommendation:

When implementing future contracts, the Ministry should not rely solely on contractors' assurances that they are ready and able to deliver the service but should conduct its own thorough testing and have a detailed transition plan to ensure that the service will be delivered before going live.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 When rolling out future contracts, the department will consider how best to account for the risks and costs of transition, as well as maintaining the status quo and the need to maintain pace. Processes are in place at the evaluation stage of the contracting cycle to ensure that potential bidders have sufficient capacity to deliver the specific requirements of the contract. A mobilisation plan is created based on the specific requirement to be delivered under the contract that incorporates areas including recruitment / training of staff and the acquisition of plant, machinery and ICT.

5: Committee of Public Accounts conclusion
The Ministry was unable to confirm that all interpreters working under the contract had the required qualifications, experience and enhanced CRB checks.

Recommendation:
The Ministry should ensure that Capita-ALS now has procedures in place to guarantee that only interpreters with the correct skills, experience and character work under the contract, including agreeing and putting in place an alternative to the assessment regime. It should test the effectiveness of these procedures through a programme of audits and spot checks on individual interpreters.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 The department has carried out an independent assessment of the quality standards under the contract, working closely with partners and stakeholders to develop the scope of the independent quality assessment, including appointing independent assessors to carry out the assessment. A report of the findings will be published in 2014. Capita is now subject to regular audits, which include checks on the proof of qualifications and security status of interpreters. Recommendations from the independent assessment will be considered in light of both the Ministry's contract and the justice sector Framework Agreement.

6: Committee of Public Accounts conclusion
Capita-ALS is still unable to provide sufficient numbers of interpreters to meet all of the Ministry's language requirements.

Recommendation:
The Ministry is responsible for all aspects of the efficient administration of the courts and must work with Capita-ALS to develop a more creative approach to recruiting interpreters across all required languages and geographical locations.

6.1 The Government agreed with the Committee's recommendation.

Target implementation date: September 2014.

6.2 The HM Courts and Tribunal Service (HMCTS) continue to use contingency plans to enable courts to make off-contract bookings where necessary, which has seen reductions in bookings from 7% to 2%. Capita performance is currently 95% overall and the department is working with Capita and the courts to achieve 98%. HMCTS has tightened the process for obtaining interpreters off-contract, where Capita is unable to provide an interpreter. This will continue to be needed throughout the life of the contract, as there will always be a need to fill some remaining jobs, particularly for scarce languages required at short notice. HMCTS will continue to work with Capita to recruit interpreters across a range of languages and regions to reduce the requirement for off contract bookings.

7: Committee of Public Accounts conclusion
The Ministry was unable to provide information on the additional costs to the department of the delaying of trials because of the failure to provide interpreters.

Recommendation:
In the future, the Ministry must undertake comprehensive cost and benefit analysis of its new policies.

7.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

7.2 Current data shows that a high proportion of requested interpreter jobs are filled – 95% through the contract and 2% through the off-contract contingency arrangements. This is reflected in an ongoing low level of ineffective trials due to interpreter failures, and the falling level of complaints for interpreter lateness or non-attendance. Measuring the incremental costs to the wider justice system of interpreter failure under the current contract would require disproportionate investment to collect data, which would itself be unable to yield meaningful outcomes in the absence of a basis of comparison with the previous arrangements. This is accepted as learning for future contracts.

Twenty Third Report
Department for Work and Pensions
Contract management of medical services

Summary of the Committee's findings

The Department for Work and Pensions relies on medical assessments to help its decision makers reach an appropriate decision on a claimant's entitlement to a range of benefits. Work Capability Assessments are used to assess new applications for Employment and Support Allowance and to reassess existing recipients of Incapacity Benefit. This is damaging public confidence and generating much criticism of ATOS, but most of the problems lie firmly within the department. The department has outsourced this work since 1998 and in 2011-12 paid its contractor, Atos Healthcare, £112.4 million to carry out 738,000 assessments. From April 2013, a new medical assessment will be introduced for the Personal Independence Payment.

Background resources

- NAO report: *Contract management of medical services* - Session 2012-13 (HC 627)
- PAC report: *Contract management of medical services* - Session 2012-13 (HC 744)
- Treasury Minute: March 2013 (Cm 8586)

Updated Government response to the Committee

There were 7 recommendations in this report. As of the last Treasury Minute (Cm 8586), 3 recommendations were implemented and the department disagreed with 1 recommendation. 3 recommendations remained work in progress, all of which have now been implemented, as set out below.

2: Committee of Public Accounts conclusion
The Work Capability Assessment may unduly penalise people with specific health problems.

Recommendation:
The department should assess whether the Work Capability Assessment process is unfair to these claimant groups by looking at whether its initial decision is less accurate in these cases and, if so, make changes to its processes where appropriate. The department should continue to review the operation of the work capability assessment for vulnerable groups.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 The Government has responded to the Fourth Independent Review of the Work Capability Assessment (WCA) (published December 2013) and accepted all but one of the 32 recommendations that fall within the scope of DWP. The Evidence Based Review of the Work Capability Assessment was also published in December 2013. This suggested that the WCA performed better than the alternative assessment developed and produced consistent results, showing WCA as an accurate indicator of work capability.

2.3 The Quality Assurance Framework (QAF) for Employment and Support Allowance has established feedback mechanisms that allow for targeted initiatives. The national target of 85% has been in place since September 2013 and will remain as the quality measure. Training to support decision assurance calls has been completed and quality measures on call quality have been implemented. There is no current QAF of the Band B / AO decisions. The department will be considering the decision making recommendations in the Litchfield report, which may result in an increased QAF.

3: Committee of Public Accounts conclusion

The department does not know the full cost to the taxpayer of the overall decision-making process for Work Capability Assessments.

Recommendation:

The department should establish the full costs of the process so that it can benchmark with relevant organisations on the cost effectiveness of its approach.

3.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

3.2 The department's Activity Based Costing Model captures the direct costs of the Work Capability Assessment (WCA) process. This includes processing benefit claims, making referrals to the WCA provider, decision making on benefit entitlement following the WCA and reconsidering decisions on appeal. An element of the HM Courts and Tribunal Service costs is included in this figure. The department has spread this cost across all benefits, which could trigger an appeal.

3.3 Indirect costs are primarily the cost to the National Health Service of doctors' time, where they are required to provide further medical evidence. Neither the Department for Work and Pensions, nor the Department of Health collect the costs of time doctors spend on providing this medical evidence. This would place an additional burden on doctors and would not be cost effective for the department.

5: Committee of Public Accounts conclusion

The department lacks sufficient rigour in managing the contract with Atos Healthcare.

Recommendation:

The department needs to reduce its dependence on the contractor's information and processes by adopting a more active and interventionist approach to contract management. This should include obtaining more of its own assurance on information provided by Atos Healthcare, active enforcement of the sanctions available to it through the service credit regime and the setting of more challenging targets on the quality of medical assessments.

5.1 The Government agreed with the Committee's recommendation

Recommendation implemented.

5.2 A Written Ministerial Statement, on 27 March 2014, announced that Atos Healthcare will withdraw from the delivery of Work Capability Assessments before their contract ends in August 2015. Atos will not receive any compensation from the taxpayer for the early termination of their contract. Atos will also make a substantial financial settlement to the department. Atos will continue to deliver Work Capability Assessments until they exit the contract and will continue to be subject to a rigorous quality and service credit regime.

5.3 A remedial advisory team has been appointed to work with the Atos Healthcare management to stabilise and improve the business ahead of awarding the contract to a new provider later in 2014. Output and quality targets and assurance arrangements will be considered carefully as part of the new tendering and contract arrangements.

Twenty Fourth Report

Department of Energy and Climate Change

Nuclear Decommissioning Authority: managing risk at Sellafield

Summary of the Committee's findings

The Nuclear Decommissioning Authority, an arm's-length body of the Department for Energy and Climate Change, was set up in 2005 with the specific remit to tackle the UK's nuclear legacy. Sellafield is the largest and most hazardous site in the Authority's estate and is home to an extraordinary accumulation of hazardous waste, much of it stored in outdated nuclear facilities. It is run for the Authority by Sellafield Limited, the company licensed by regulators to operate the site. In November 2008, the Authority contracted with an international consortium - Nuclear Management Partners Limited – to improve Sellafield Limited's management of the site, including the development of an improved lifetime plan.

Background resources

- NAO report: *Managing risk reduction at Sellafield* – Session 2012-13 (HC 630)
- PAC report: *Nuclear Decommissioning Authority: Managing risk at Sellafield* - Session 2012-13 (HC 746)
- Treasury Minute: May 2013 (Cm 8613)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8613), 1 recommendation was implemented. 5 recommendations remained work in progress, of which 3 have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
The lifetime plan for Sellafield may be more credible than previous plans, but it is still not clear that it is sufficiently robust.

Recommendation:
The Authority should develop and apply benchmarks to assess the robustness of the lifetime plan and challenge existing assumptions on costs and timescales for critical projects; and rigorously examine the timetable for the geological disposal facility.

1.1 The Government agreed with the Committee's recommendation.

Target implementation date: December 2014.

1.2 The benchmarking tools are now actively deployed to support Performance Plan 2014 (PP14) Assurance at Sellafield, with promising outcomes emerging from the pilot Benchmarking Engagement Sessions, including the Silos Direct Encapsulation Plant (SDP) and the Box Encapsulation Plant (BEP). Further benchmarking meetings will challenge any variances between PP14 and the associated benchmarking costs and schedule. Where necessary, dates and values will be amended for inclusion in PP14.

1.3 Benchmarking Dashboards are available for all in flight Major Projects and second contract term Major Projects (costs less than £40 million). Post PP14, the intention is to use benchmarking to challenge future sanction submissions and establish a National Nuclear Benchmarking Forum by Q2 2014, chaired by the Authority with industry representation from all key players. Reciprocal information sharing to promote industry best practice is in place and will be formalised through the development of bilateral agreements with other nations.

2: Committee of Public Accounts conclusion

Basic project management failings continue to cause delays and cost increases to critical risk reduction projects and programmes.

Recommendation:

To help ensure there is no further slippage to timetables and costs are kept under control, the Authority should invite the Major Projects Authority to review the most critical and largest projects, and should report publicly on the progress of key risk reduction programmes against plans and budgets.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 The Major Projects Authority completed a review of the Authority's assurance hub in September 2013. To help inform the review, the effectiveness of assurance was considered in relation to three major projects at Sellafield (Evaporator D, Box Encapsulation Plant (BEP) and Magnox Swarf Storage Silo Retrievals (MSSS)).

2.3 The final report was issued by the Cabinet Office in October 2013 and was rated as AMBER. The findings have been fully accepted by the Authority with all subsequent recommendations on schedule to be delivered within their respective deadlines. A revised pilot Priority Programmes Report – reporting progress against the current lifetime plan for those programmes - is available on the Authority's website.[39]

3: Committee of Public Accounts conclusion

Because of the uncertainty and delivery challenges at Sellafield, taxpayers currently bear almost all of the financial risk of cost increases and delays.

Recommendation:

The Authority should determine how and when it will have achieved sufficient certainty to expect Sellafield Limited to transfer risk down the supply chain on individual projects and then to reconsider its contracting approach for the site as a whole.

3.1 The Government agreed with the Committee's recommendation.

Target implementation date: December 2015.

3.2 The credible options paper was developed to support the Sellafield contract rollover activities. Section 2.2 of the paper reflects the complex and changing nature of the challenge at Sellafield, both in terms of physical scope and Site Licence Company (SLC) capability.

3.3 As part of the development of PP14, Sellafield is being challenged by the Authority to identify areas where there may be more certainty within the scope of work, therefore enabling a greater transfer of risk to the supply chain. Risk transfer is a key element of capability improvement driven by Sellafield's Excellence Plan which is currently being assessed by the Authority. Once it and PP14 have been finalised, a structured review of the procurement approach will be undertaken by December 2015.

4: Committee of Public Accounts conclusion

The level of 'savings' achieved at Sellafield is central to the Authority's decisions on contract renewal and the performance fee paid out each year, but such savings figures can be overstated.

Recommendation:

The NAO should review the basis on which savings have been assessed and provide assurance to the Committee that the level of savings achieved at Sellafield has been measured and reported accurately.

[39] http://www.nda.gov.uk/publication/pilot-priority-programme-report-april-2014/

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The NAO published their report: *Assurance of reported savings at Sellafield* in October 2013, which contained 6 recommendations, all of which were accepted by the Authority and on schedule to be delivered within the agreed deadlines.

6: Committee of Public Accounts conclusion

It is not clear what wider economic benefits have been achieved from the enormous quantity of public money spent at Sellafield.

Recommendation:

The Authority and Sellafield Limited should set out what added value can be achieved from taxpayers' investment in Sellafield, clarify their roles in delivering this and set performance targets for contributing to the development of the regional and national economy and workforce.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 The Authority published in April 2014 its current and future activities to drive improvements. These activities will be driven by the Authority's Supply Chain, Skills and Socio-Economic strategies arising from the Energy Act 2004; and encompass actions by the Authority and Sellafield Ltd. The Authority adopts a collaborative approach to socio-economic investments with Sellafield Ltd and Nuclear Management Partners and where appropriate, broader support for economic growth initiatives via Britain's Energy Coast and the Cumbria Local Enterprise Partnership, which bring together public and private sector stakeholders.

6.3 Comprehensive progress reports are included in: the Annual Reports of the Authority and Sellafield Ltd; annual reporting to the Site Stakeholder Groups and other representative bodies; and a Sellafield Ltd Performance Report, which includes contributions from the Authority, Sellafield Ltd as site operator and Nuclear Management Partners as Parent Body Organisation. Additional metrics will be published by the Authority in September 2014.

Twenty Fifth Report
Department for Transport
Funding for local transport: an overview

Summary of the Committee's findings

The Department for Transport works with local partners to deliver many of its policies. Local authorities play a key role in planning and commissioning transport services, such as bus and light rail, and providing and maintaining roads and other local infrastructure. They spent a total of £8.5 billion on transport in 2010-11. The department provided around a quarter of this (£2.2 billion), with the rest raised locally from council tax, from the £411 million surplus raised from parking levies, or from the Department for Communities and Local Government formula grant.

Background resources

- NAO report: *Funding for local transport: an overview* - Session 2012-13 (HC 629)
- PAC report: *Funding for local transport: an overview* - Session 2012-13 (HC 747)
- Treasury Minute: March 2013 (Cm 8586)

Updated Government response to the Committee

There were 5 recommendations in this report. As of the last Treasury Minute (Cm 8586), the department disagreed with 2 recommendations. 3 recommendations remained work in progress, of which 1 has now been implemented, as set out below.

2: Committee of Public Accounts conclusion
Better local transport data is needed to monitor local authority performance and drive value for money.

Recommendation:
The department should specify what data are needed to assess local performance and take the necessary steps to ensure it is available, whether working in partnership with others or mandating minimum data requirements. The department should ensure that transparent mechanisms are in place to ensure that funds raised from parking charges are spent on transport.

2.1 The Government agreed with the Committee's recommendation.

Target implementation date: Autumn 2014.

2.2 LG Inform, the LGA's online data and benchmarking tool, was made publicly available on 29 November 2013. The department continues to work, via the Central Local Information Partnership Transport Statistics group, with LG Inform to produce a standard or headline transport report for local authorities, which both they and the public can use to assess local performance.

2.3 Revenue received from on-street parking charges and local authority parking enforcement is ring fenced in Section 55 (as amended) of the Road Traffic Regulation Act 1984 to meet transport and environmental objectives. It is the responsibility of local authorities to comply with legislation.

3: Committee of Public Accounts conclusion
The department is not clear when or how it will intervene in cases of local transport failure.

Recommendation:
The department should clearly set out, in its accountability systems statement, the information it will use to identify a failure or an unacceptable reduction in the standard of provision, the circumstances under which it would intervene, and what form that intervention would take.

3.1 The Government agreed with the Committee's recommendation.

Target implementation date: Autumn 2014.

3.2 The Accountability System Statement has not yet been updated to reflect cases of local transport failure. The update is also dependent on progress with LG Inform during 2014.

5: Committee of Public Accounts conclusion
The accountability arrangements for the new non-statutory local transport bodies are unclear.

Recommendation:
The department should ensure that the C&AG has full audit access to local transport bodies. Similarly, the Treasury should ensure that all other departments who provide funding to non-statutory local bodies, such as local enterprise partnerships, have adequate assurance arrangements over how their funds are spent or allocated, and that the C&AG has full audit access rights.

5.1 The Government agreed with the Committee's recommendation

Recommendation implemented.

5.2 Local Enterprise Partnerships (LEP's) do not receive funding directly from the Government. In the case of the Growing Places Fund, for example, LEPs identified a lead local authority that would receive and account for the funding on behalf of all the members of the partnership, via a section 31 grant. The fund is subject to the same accountability procedures, as any other payment that the Department for Communities and Local Government makes to Local Authorities, directly through this mechanism.

5.3 For organisations funded by central Government, departments set out in writing the purpose of the funding. It is for departmental Accounting Officers to then satisfy themselves that these organisations have adequate assurance arrangements.

Twenty Sixth Report
Department for International Development
Multilateral Aid Review

Summary of the Committee's findings

Multilateral organisations can play a very valuable role in development; they often work in politically sensitive areas, can offer economies of scale, broker international agreements and set international standards. The Department for International Development funds a range of these organisations to deliver its objectives. It spends almost half of its total aid budget on core funding for multilateral organisations, amounting to £3.6 billion in 2011-12. The UK is normally only one of many members of multilateral organisations, each of which have their own governance arrangements, policies and priorities. This obviously constrains the department's influence on how the funding it gives is used.

Background resources

- NAO report: *Transferring cash and assets to the poor* Report - Session 2012-13 (HC 594)
- PAC report: *DFID: Transferring cash and assets to the poor* - Session 2012-13 (HC 660)
- Treasury Minute: May 2013 (Cm 8613)

Updated Government response to the Committee

There were 7 recommendations in this report. As of the last Treasury Minute (Cm 8613), 7 recommendations remained work in progress, of which 4 have now been implemented, as set out below.

1: Committee of Public Accounts conclusion

The Multilateral Aid Review was a significant step forward in assessing the performance of multilateral organisations. The Review provided a welcome focus on the costs and the results delivered, but it was limited by the availability of data from multilateral organisations.

Recommendation:

The department should use its future funding as a lever to persuade organisations to improve their data on costs and results by making such data a requirement for increased funding.

1.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

1.2 Following the Multilateral Aid Review (MAR), the department asked 13 organisations to strengthen their strategic and performance management systems by improving their results framework. It asked 16 organisations to strengthen management and accountability systems to demonstrate a stronger focus on reducing costs and achieving value for money in programme spend.

1.3 The 2013 MAR update assessed that, overall, these agencies demonstrated some progress in addressing these reforms, with many having revised results frameworks or ensured systems are now in place to gather systematic results data. The department continues to press for improved costs and results data.

1.4 The department is working with the Senior-Level Donor Meeting on Multilateral Reform on standard definitions and classification of multilateral administration costs and approaches for making these more transparent and has led a pilot of this with UNAIDS. Other donors will be undertaking similar exercises this year.

2: Committee of Public Accounts conclusion
The department has an opportunity to develop further its understanding of the way multilateral organisations operate ahead of its next full Review in 2015.

Recommendation:
Before its next full Review in 2015, the department should refine its framework to better reflect all types of multilateral organisation and it should map the roles of multilateral organisations, highlighting gaps, overlaps and linkages, to enable informed decisions on who can best deliver the department's objectives.

2.1 The Government agreed with the Committee's recommendation.

Target implementation date: December 2014.

2.2 Following the publication of the MAR update in December 2013, the department held a series of roundtables inviting multilaterals to share their thoughts on the MAR and how it can be strengthened. Multilaterals recognised the MAR as being a thorough exercise which helped drive better performance and welcomed the changes that had been made to better reflect the contribution of normative agencies. The department is in the process of developing proposals to refine the MAR framework and approach for 2015 based upon this feedback and recommendations received from the Committee, including tailoring the framework to better fit differing multilateral business models.

2.3 The department has identified economic development and health as two areas where it may prove helpful to undertake a pilot exercise to map the roles of multilateral organisations. Should these pilots prove useful, the department will carry out additional analysis to feed into MAR 2015.

3: Committee of Public Accounts conclusion
The department rated nine multilateral organisations as poor, but so far has only withdrawn funding worth £8 million from four organisations.

Recommendation:
The department should use its information on performance to determine future levels of funding, and where it provides a significant proportion of total funding, use this leverage to drive improved performance.

3.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

3.2 The MAR Update informed decisions on core aid funding through multilateral organisations. These decisions reflected both the organisations' original MAR score and the progress they had made since then. The department recognises that meaningful reform takes time and it remains committed to working with these organisations to ensure progress is made. The department will continue to require higher levels of performance across all reform priorities. If it finds unacceptable weaknesses, it will be prepared to withdraw funding.

4: Committee of Public Accounts conclusion
The department's review has encouraged other donor countries, such as Australia and Denmark, to conduct similar assessments.

Recommendation:
The department should work with those open to collaboration to agree reform priorities for key multilateral organisations and alternative ways of delivering objectives if organisations do not improve, with a view to greater collaboration in its 2015 assessment.

4.1 The Government agreed with the Committee's recommendation.

Target implementation date: December 2014.

4.2 The department is continuing to work with other donors on reshaping the Multilateral Organisation Performance Assessment Network. The department is also exploring opportunities for collaboration with other donors in undertaking joint multilateral assessments and sharing evidence.

5: Committee of Public Accounts conclusion

The department has so far made only limited assessments of the relative cost effectiveness of multilateral and bilateral aid in achieving its objectives.

Recommendation:

As better data becomes available the department should increase its use of comparisons of bilateral and multilateral aid.

5.1 The Government agreed with the Committee's recommendation.

Target implementation date: December 2014.

5.2 The department will discuss its approach with the NAO to draw from its experience and identify ways to make meaningful comparisons between bilateral and multilateral aid. The department continues to improve the availability of data on the costs and effectiveness of delivery routes, and to consider the most appropriate method of making value for money comparisons where this is feasible. The department already works closely with multilateral organisations to strengthen the evidence base to guide allocation across alternative delivery routes.

6: Committee of Public Accounts conclusion

The department may not be maximising value for money in its contracts with those who deliver bilateral aid owing to a lack of competition.

Recommendation:

The department must develop a more rigorous procurement strategy which enables it to secure better value through a better understanding of the provider market and increased competition.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 The department has made strong progress in monitoring a range of contracts through its Key Supplier Management (KSM) programme. KSM involves biannual Contract Performance Reviews completed by programme teams for a set of key contracts across DFID's 11 'key' (strategic) suppliers. KSM enables the department to track performance across contracts, regions and is used as a basis for discussion during biannual senior reviews. In future, this will feed into programme annual reviews and be considered for taking supplier previous performance into account in tenders.

6.3 The department has also increased its engagement with suppliers to influence and shape the market. A series of workshops with existing and potential suppliers has improved its engagement with the market and the annual Supplier Conference provides opportunities for the department to communicate clear value for money and performance messages. The department requires its suppliers, including non-governmental organisations, to sign up to a code of conduct. This statement of priorities and expectations sets out standards suppliers are expected to meet on value for money, transparency and accountability.

7: Committee of Public Accounts conclusion

Although the Department has in place policies and processes to detect fraud in the use of UK-sponsored multilateral and bilateral aid, the effectiveness of these processes has not been demonstrated to the Committee.

Recommendation:

The department should provide the Committee with figures on detected fraud on a country-by-country basis.

7.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

7.2 The department has put in place measures to collect and collate the figures on detected fraud on a country-by-country basis and has made arrangements to publish this information in its Annual Report and Accounts 2013-14.

Twenty Seventh Report

HM Treasury

Annual Report and Accounts 2011-12

Summary of the Committee's findings

HM Treasury is the nation's ministry of finance and economics. From taking evidence on the Treasury's Annual Report and Accounts for 2011-12, the Committee was pleased to recognise improvements by the Treasury, including reducing its exposure to bank guarantee schemes and making a start on reducing its high rate of staff turnover.

Background resources

- NAO report: *HM Treasury Annual Report and Accounts 2011-12* - Session 2012-13 (HC 46)
- PAC report: *HM Treasury Annual Report and Accounts 2011-12* - Session 2012-13 (HC 659)
- Treasury Minute: May 2013 (Cm 8613)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8613), 4 recommendations were implemented and the department disagreed with 1 recommendation. 1 recommendation remained work in progress, which has now been implemented, as set out below.

6: Committee of Public Accounts conclusion

As well as economic measures, the Treasury has responsibility for Equitable Life compensation payments, but it has not met its payment targets for 2011-12.

Recommendation:

The Treasury should take steps to put the payment profile back on track, and it should prioritise those recipients in the most urgent need.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 The payment profile is on track, with over £900 million of the £1 billion allocated to fund the Scheme's first 3 years issued to circa 860,900 policyholders at 31 March 2014. This includes almost 95% of With-Profits Annuitant policyholders, the group most affected by their losses. The increase in payments is the result of planned improvements in the tracing processes, as well as the introduction of more efficient identity verification.

Twenty Eighth Report

Department for Health

The franchising of Hinchingbrooke Health Care NHS Trust and Peterborough and Stamford Hospitals NHS Foundation Trust

Summary of the Committee's findings

A complete lack of strategic oversight resulted in separate decisions being taken to build a new PFI hospital at Peterborough and to award a franchise to a private company to run a nearby NHS hospital. No consideration appears to have been given to the impact these two decisions would have on the local health economy and health expenditure.

The hospitals are located only 24 miles apart in the East of England, an area of the country where the NHS has a long-acknowledged over-provision of acute healthcare. The decision to approve these two deals flies in the face of past and present Government policy to treat more people outside hospitals and to concentrate key services in specialist centres. This has left the Government with two hospitals whose financial viability and future is in doubt and whose value for money has not been secured.

Background resources

- NAO report: *The franchising of Hinchingbrooke Health Care Trust* – Session 2012-13 (HC 628)
- NAO report: *Peterborough and Stamford Hospitals NHS Foundation Trust* – Session 2012-13 (HC 658)
- PAC report: *The franchising of Hinchingbrooke Health Care NHS Trust and Peterborough and Stamford Hospitals NHS Foundation Trust* – Session 2012-13 (HC 789)
- Treasury Minute: May 2013 (Cm 8613)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8613), 2 recommendations were implemented. 4 recommendations remained work in progress, all of which have now been implemented, as set out below.

2: Committee of Public Accounts conclusion
Risk assessment in both business cases was poor.

Recommendation:
The department should review its risk assessment procedures to ensure that risk is assessed on a consistent and realistic basis and ensure that warning signs are acted on.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 The largest hospital build schemes, which are delivered through PFI / PF2, require the approval of both the department and the Treasury. The department's approach to assessing affordability risks is similar to Monitor's, with downside testing of financial assumptions and a requirement for financial models to contain headroom to cover financial risk in terms of non-delivery of savings plans or shortfalls against income projections. This approach was applied in the recent approval of Papworth Hospital NHS Foundation Trust's Appointment of Preferred Bidder Case.

2.3 The NHS Trust Development Authority has published guidance for NHS Trusts on the process of applying for capital '*Capital Regime and Investment Business Case approvals Guidance for NHS Trusts'*. Monitor's Risk Assessment Framework, published in August 2013, came into force on 1 October 2013.

3: Committee of Public Accounts conclusion

There is not enough funding in the local health economy for both trusts to thrive as currently configured, and their financial viability will be further eroded if more care is provided outside hospitals.

Recommendation:

Commissioners and providers need to work to develop affordable and transparent plans for both trusts that are based on realistic savings targets with mutually understood triggers for further action.

3.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

3.2 The Contingency Planning Team (CPT), appointed to Peterborough and Stamford Hospitals NHS Foundation Trust, published its final report in September 2013. The CPT concluded that the Trust is clinically and operationally sustainable, but not financially sustainable in its current form, although it also concluded that the Trust should not be put into trust special administration.

3.3 The CPT's report made recommendations for ensuring that patients can continue to access high quality, sustainable services and to improve the financial position of the Trust. The recommendations focused on tackling the inefficiency in the Trust, making better use of the under-utilised estate at Peterborough City Hospital, rapidly progressing joined up working across the health economy and options of bridging any residual deficit. Monitor is working with the Trust to implement the recommendations.

4: Committee of Public Accounts conclusion

Monitor lacked the power to veto the PFI deal in 2007 and failed to act later on warning signals that Peterborough and Stamford Hospitals NHS Foundation Trust was heading towards a financial meltdown.

Recommendation:

Monitor's internal concerns about Peterborough and Stamford's future financial stability were not reported publicly. Monitor should revise its risk rating regime so that it is forward-looking, transparent and enables risks to be identified and acted upon before they materialise; maintain oversight of major financial commitments by foundation trusts and have the ability to stop unaffordable schemes from proceeding; and develop a regime of regular, in-depth financial reviews of foundation trusts.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The Risk Assessment Framework for NHS foundation trusts was published in October 2013 and defines how Monitor assesses financial risk at trusts on both a current and forward-looking basis. The framework uses financial projections from Trusts to generate published risk ratings allowing better identification of financial risks before they materialise.

4.3 For example: where an NHS foundation trust experiences a material change in its future financial prospects as a result of planning a large transaction or an unforeseen drop in income or increase in costs, it is required to resubmit its financial plan. This allows Monitor to update the risk assessment. Where plans reveal an enhanced level of risk, or where they are not as rigorous as they need to be, Monitor may subject them to a greater level of analysis and subsequently investigate and take regulatory action to seek to reduce the risk and protect essential services for patients.

4.4 Monitor can take action using its new Continuity of Service and statutory enforcement powers to address significant risks to an FT's financial sustainability. If necessary it can appoint a Contingency Planning Team to assess the financial and clinical sustainability and identify provisional options for securing patients' continued access to services. Monitor can also make changes to an FT's Board if there are serious governance concerns.

4.5 Under the framework, Monitor continues to review FTs' annual plans so that it can assess and manage risk for the sector as a whole. Each year, Monitor makes a risk assessment based on these plans, subsequently updating this assessment to take account of in-year changes in FTs' financial positions on a quarterly basis. Previously the plans submitted by FTs dealt with the coming three years. However, FTs are required to submit plans covering the coming two years in detail and the subsequent three years more prospectively. This encourages FTs to think strategically about their future.

5: Committee of Public Accounts conclusion
Management consultants have been used at great expense to little effect.

Recommendation:
Monitor's review should be scoped to include the financial sustainability of the whole local health economy, focus on the future, and be binding on all parties.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 A framework contract is now in place for future NHS Trust and Foundation Trust special administration processes as well as the appointment of a Contingency Planning Team to a Trust. The trust special administration process has only been used twice. These experiences, together with future experience, can be used to benchmark costs in order to bring them down.

5.3 The Contingency Planning Team's report set out recommendations to ensure that patients can continue to access high quality, sustainable services and to improve the financial position of the Trust. One of its recommendations included the creation of a Peterborough Regional Steering Group to further improve working across the local health economy and to oversee a programme of activity required of other organisations within the local health economy. Monitor is working with the Trust to implement the recommendations.

Twenty Ninth Report

HM Revenue and Customs

Tax Avoidance: tackling marketed avoidance schemes

Summary of the Committee's findings

Tax avoidance - using tax law to gain a tax advantage not intended by Parliament - reduces the money available to fund public services and is completely unfair to the majority who pay the tax due. HM Revenue and Customs estimates that in 2010-11 the tax gap due to avoidance was £5 billion. HMRC further estimates that the present total tax at risk from avoidance over time is £10.2 billion. There is a proliferation of contrived schemes, which exploit loopholes in legislation and abuse available tax relief schemes. Far too much public money is lost through avoidance and HMRC needs a much more robust approach.

Background resources

- NAO report: *Tax Avoidance: tackling marketed avoidance schemes*- Session 2012-13 (HC 730)
- PAC report: *Tax Avoidance: tackling marketed avoidance schemes*- Session 2012-13 (HC 788)
- Treasury Minute: May 2013 (Cm 8613)

Updated Government Response to the Committee

There were 6 recommendations in this report. As at the last Treasury Minute (Cm 8613), 6 recommendations remained work in progress, of which 2 have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
Promoters of avoidance schemes run rings around HMRC.

Recommendation:
HMRC should assess the effectiveness of the full range of measures available to reduce avoidance, including those used in other countries, and identify the measures it will introduce to reduce the tax lost to avoidance, reporting to the Committee on its progress.

1.1 The Government agreed with the Committee's recommendation.

Target implementation date: 1 April 2015.

1.2 In his Budget Statement, the Chancellor announced that he would proceed with legislation to tackle high risk promoters, and would require users of failed avoidance schemes to amend their return or risk a penalty. The Chancellor also announced that he would legislate to accelerate payment of disputed tax in failed avoidance schemes and schemes notified under Disclosure of Tax Avoidance Schemes (DOTAS) or those subject to the General Anti- Abuse Rule (GAAR) and, there would be a consultation on the scope of the DOTAS and the VAT Avoidance Disclosure Regime (VADR).

2: Committee of Public Accounts conclusion
There is insufficient transparency about those who market or use tax avoidance schemes.

Recommendation:
The Government should consider how to increase transparency by naming and shaming those engaged in the business of tax avoidance and use it to discourage such activity.

2.1 The Government agreed with the Committee's recommendation.

Target implementation date: 1 April 2015.

2.2 The department continues to make good use of communications to deter taxpayers from using marketed avoidance schemes. The department has put in place an anti-avoidance communications strategy under which it publishes warnings about named avoidance schemes in Spotlights and publicises decisions by the tribunals and courts, which puts detailed information about avoidance schemes, their promoters and their users into the public domain.

2.3 The department warns taxpayers about the risks of taking up avoidance schemes in *Tempted by Tax Avoidance* (published August 2013), which includes real-life examples of negative consequences suffered by taxpayers who have used unsuccessful avoidance schemes.

3: Committee of Public Accounts conclusion

The Disclosure of Tax Avoidance Schemes (DOTAS) regime has helped HMRC close some avoidance schemes quickly, but does not effectively deter promoters, or penalise non-compliance.

Recommendation:

HMRC should model the impact of the changes under consideration and should design an evaluative framework to measure the effectiveness of DOTAS, including by assessing the level of compliance.

3.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

3.2 In his Budget Statement, the Chancellor announced he would consult in summer 2014 on the scope of the DOTAS and VADR disclosure regimes.

4: Committee of Public Accounts conclusion

HMRC is not doing enough to tackle those promoters who are determined to avoid disclosure, or to prevent promoters from mis-selling schemes.

Recommendation:

HMRC should ensure it is making full use of its existing, or potential, powers to tackle uncooperative promoters and should publicise what it is doing to make clear that it is serious about addressing this problem.

4.1 The Government agreed with the Committee's recommendation.

Target implementation date: 1 April 2015.

4.2 At Budget 2014, the Chancellor announced that he would proceed with legislation to tackle high-risk promoters, including the naming of high-risk promoters.

5: Committee of Public Accounts conclusion:

HMRC does not know how much it spends on its anti-avoidance work, and has not evaluated the effectiveness of its efforts.

Recommendation:

HMRC should improve its recording and monitoring of the cost of its anti-avoidance work and set out clearly how it will evaluate its anti-avoidance strategy.

5.1 The Government agreed with the Committee's recommendation.

Target implementation date: 1 December 2014.

5.2 The original target implementation date was 1 April 2014. The department has now started a project to improve its management information across the piece, to identify all the appropriate data and ensure they are properly captured and analysed. The department is making good progress and additional data are now being captured and tested, but there are still some gaps remaining, including capturing resource costs. A plan is now in place to address these gaps as quickly as possible and collect the relevant information.

5.3 The project will ensure that processes are in place to capture and analyse the data as business as usual and it will provide the basis of strategic performance measures to monitor the department's performance on avoidance.

6: Committee of Public Accounts conclusion

The Committee welcomes the additional resources for HMRC to tackle avoidance but HMRC has a lot more work to do.

Recommendation:

The department should produce a plan showing how it will manage and reduce the stock of open cases, including how it will prioritise its resources to maximise yield, and monitor progress against this at a senior level.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 Lin Homer, the department's Chief Executive and Permanent Secretary, wrote to the Committee in December 2013 setting out what had been achieved and the plan for the future.

Thirtieth Report

HM Treasury

Excess Votes 2011-12

Summary of the Committee's findings

The Committee scrutinises the reasons behind individual departments exceeding their allocated resources, and reports to the House of Commons on whether it has any objection to the amounts needed to rectify the reported excesses. The Committee may also make recommendations to departments concerning the causes of these excesses.

Background resources

- PAC report: *Excess Votes 2011-12* - Session 2012-13 (HC 959)
- Treasury Minute: May 2013 (Cm 8613)

Updated Government response to the Committee

There were 10 recommendations in this report. As of the last Treasury Minute (Cm 8613), 7 recommendations were implemented. 3 recommendations remained work in progress, all of which have now been implemented, as set out below.

8-10: Committee of Public Accounts conclusion

The introduction of the Clear Line of Sight Initiative has increased the risk of departments breaching approved spending limits.

Recommendation:

The Treasury should monitor the progress departments are making against their Estimates during the year and, where necessary, take appropriate action to prevent bodies exceeding their provision.

8.1 The Government agreed with the Committee's recommendation.

Recommendations implemented.

8.2 Similar recommendations from the Committee have been addressed in the response to the 2012-13 Excess Votes. In 2012-13, excluding the token excesses from Ministry of Defence, there were just two excesses. This is considerably less than the six excesses reported in 2011-12. It is therefore clear that the Clear Line of Sight initiative has helped to improve in-year financial management. In addition the Treasury has introduced the On-line System for Central Accounting and Reporting (OSCAR) to improve and standardise both data quality and reporting methods.

8.3 The Treasury has continued to update guidance, such as the Consolidated Budgeting Guidance and Improving Spending Control. In addition AME controls for regulators, which are smaller departments, have been amended by taking the opportunity to move provisions into DEL from AME, thus making it easier for some smaller departments to control their overall budget against just one budgetary control.

Thirty First Report

Department for Transport

Lessons from cancelling the Intercity West Coast franchise competition

Summary of the Committee's findings

On 3 October 2012, the Department for Transport cancelled its decision to award the InterCity West Coast franchise to First Group due to errors in the procurement process. The department's failure to properly manage the competition will directly cost taxpayers at least £50 million, the majority of which will be spent on compensating bidders. There is also a significant opportunity cost resulting from delays in investment in the franchise.

The department spent £1.9 million on staff costs and external advisers to run the franchise competition - significantly less than the estimated £10 million each bidder spent on their bids. The department's attempt to make cost savings in running the competition, for example by not employing external financial advisers, ended up costing the taxpayer tens of millions of pounds. These figures relate only to the West Coast Franchise. It is not yet clear whether other franchise competitions will be affected.

Background resources

- NAO report: *Lessons from cancelling the InterCity West Coast franchise competition* Session 2012-13 (HC 796)
- PAC report: *Lessons from cancelling the InterCity West Coast franchise competition* Session 2012-13 (HC 813)
- Treasury Minute: May 2013 (Cm 8613)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8613), 3 recommendations were implemented. 3 recommendations remained work in progress, all of which have now been implemented, as set out below.

3: Committee of Public Accounts conclusion
The department's protection against risky bids failed due to a number of errors.

Recommendation:
The department needs a greater understanding of its risk appetite and of risk transfer to the industry, including the likely cost of any risk capital, so that it can identify when it has made errors. It needs to have the tools in place to calculate the risk before starting a competition and to be clear consistent and transparent with the advice given to bidders.

3.1 The Government agreed with Committee's recommendation.

Recommendation implemented.

3.2 The department has undertaken a review of the approach to capitalisation in franchise bidding. In future, the department intends to move to a capital requirement, which bidders will be able to calculate in advance of bid submission. This will mean that the amount of capital required will be transparent and the calculation will be objective. The department will also test the implications of the level of the risk capital which it requires.

4: Committee of Public Accounts conclusion
The department's misguided attempt to make cost savings by cutting corners on the competition resulted in significant additional costs to the taxpayer.

Recommendation:
The department should put in place the right internal resources and external support. Where it needs external support it should robustly argue its case for this with the Cabinet Office. The department must ensure appropriate oversight of major projects by the Permanent Secretary and his management team.

4.1 The Government agreed with Committee's recommendation.

Recommendation implemented.

4.2 Ensuring the department has the right internal resources and external support is an ongoing process, which continues to be monitored. Each franchise competition has a dedicated Project Director. This is a senior civil service role and will be supported by a discrete team fulfilling finance, specification, procurement and project management activities. The Project Director is responsible for leading the delivery of each stage of the competition. External technical, legal and financial advisors have also been appointed for these competitions. The department has implemented a resource plan to support upcoming competitions.

4.3 The department continues to work to ensure each franchise competition has the right mix of skills, experience and knowledge and has conducted a skills review to inform the allocation of resource to each team. The Permanent Secretary and his management team have oversight of the major projects within the department through its governance arrangements, and are already strengthening governance arrangements further. The department also routinely places on the agenda of its Executive Committee meetings all Internal Audit and Major Project Authority reports that indicate areas of significant concern.

6: Committee of Public Accounts conclusion

It was a mistake not to have a single person responsible for the project from beginning to end.

Recommendation:

The department should review all its SROs to make sure they have the right seniority, experience and expertise for every project for which they are responsible.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 The department has ensured that its SROs have the right seniority, experience and expertise for the projects for which they are currently responsible. The department is also running training for SROs to ensure they fully understand their responsibilities. The department will issue a formal delegation letter to those taking up the role of Senior Responsible Owner to explain their responsibilities and set out the department's expectations, as well as the support available to them.

6.3 Continuity in the identity of the SRO is desirable. However there may be practical reasons why this is not right in all circumstances or achievable. For example some projects have very long life-spans (HS2 for example will not be completed to Leeds and Manchester till 2033). In these cases, the department will define major stages in the life of the project and seek to have continuity in the identity of the SRO during each stage. There may also be personnel reasons why continuity is not achieved such as resignation or capability issues.

Thirty Second Report
Ministry of Defence
Managing the defence inventory

Summary of the Committee's findings

The department has recognised that it is wasting significant amounts of public money buying more inventory - its store of supplies and spares - than it uses. Between April 2009 and March 2011, the department purchased 38% more raw material and consumable inventory, such as clothing or ammunition, than it used, at a value of £1.5 billion. The department has also not consistently disposed of stock it no longer needs or does not use regularly. Over £4.2 billion of non-explosive inventory has not moved at all for at least two years and a further £2.4 billion of non-explosive inventory already held is sufficient to last for five years.

Background resources

- NAO report: *Managing the defence inventory* - Session 2012-13 (HC 190)
- PAC report: *Managing the defence inventory* - Session 2012-13 (HC 745)
- Treasury Minute: May 2012 (Cm 8613)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8613), 3 recommendations were implemented. 3 recommendations remain work in progress, as set out below.

1: Committee of Public Accounts conclusion
The department has made little progress in improving its management of inventory over the last 20 years.

Recommendation:
The department should develop an end-to-end approach, which addresses the underlying causes of poor inventory management by incentivising the right behaviours across all parts of the process, covering the ordering, storage and disposal of inventory.

1.1 The Government agreed with the Committee's recommendation.

Target implementation date: Q2 - 2015.

1.2 The department is implementing the Inventory Management Strategy through the Inventory Management Transformation (IMT) project. The approach will deliver to a demanding timescale, along three work strands; gaining control of inventory inflow; a reduction and disposal of the defence inventory, and establishing a sustainable organisation with the right culture and behaviours to deliver the future inventory need.

1.3 The Inventory Management Operating Centre was formed in December 2013 to lead on the delivery of the IMT objectives and to enable the department to provide substantial assurance across the Defence Support Network by 31 March 2016. At the close of 2013-14, the department had delivered: a reduction in the defence inventory to £34.4 billion, a year on year reduction of £1.4 billion and an overall reduction of £5 billion, when compared to the 2011-2012 baseline; and total disposal activity of £9.4 billion over the past two years. The department has set demanding financial control targets for 2014-2015 in order to achieve further improvements in the reduction of purchasing and the total level of the defence inventory.

4: Committee of Public Accounts conclusion
The department does not have the information it needs to manage its inventory effectively.

Recommendation:
To reduce the risk that current expenditure on new inventory systems is wasted, the department should fully cleanse and reconcile its existing inventory data so that its new inventory management systems hold accurate and complete information.

4.1 The Government agreed with the Committee's recommendation.

Target implementation date: Q2 – 2016.

4.2 The DE&S will use a Data Quality Assessment Toolset (DQAT) to support and develop Inventory Planning Data Integrity. All new inventory plans, and project teams not currently having a data maturity assessment, will incorporate a DQAT assessment into their respective action plans. This will improve inventory data The DQAT is in the process of being converted to a web based tool.

4.3 The Logistic Terminology Working Group (LTWG) has made progress in delivering a set of authoritative definitions. It has removed 300 terms from the Reference Data Manager (RDM), and a further 400 terms will be removed by July 2014. This will provide a coherent set of policies. Work on the Defence Logistics Framework (DLF), plus systems architecture designed to bring coherence to Logistic Information Services, is proceeding well. This will define the link between logistic policy, process and associated information requirements, making it possible to understand and communicate information requirements in an effective way.

6: Committee of Public Accounts conclusion
Skills gaps are delaying the department's progress in improving inventory management.

Recommendation:
The department should identify where skills gaps are delaying progress in improving inventory management, and discuss with the Cabinet Office how to improve its ability to recruit staff with the commercial skills required.

6.1 The Government agreed with the Committee's recommendation.

Target implementation date: Q2 – 2015.

6.2 An Inventory Management (IM) Professional Pillar is being established, which will include establishing and providing authority, leadership and skills development. Workforce and skills planning will identify present and future roles to support business needs. The department will implement a revised customer-focussed IM structure; and begin regular, programmed engagement with all Chiefs of Materiel and principal Inventory Managers. The suitably qualified and experienced persons (SQEP) process will provide appropriate governance, accountability and performance metrics, including revising and implementing IM skills, training and development programmes to enable targets to be achieved.

6.3 An IM Maturity Matrix is being developed, offering visibility of required improvements or further work. This will be reported quarterly at an IM Professional Pillar Management Group and is designed to drive best practise across the profession, in the areas of leadership, standards and competencies, curriculum and qualifications, talent management, networks and governance. The vacancy rate for IM has reduced to 15%, following sustained recruitment campaigns. 68% of those recruited are external recruits with appropriate industry or commercial experience. Recruitment will continue and will be coordinated by the IM Professional Development team, ensuring that standards remain consistent.

Thirty Third Report

Department for Work and Pensions

Work Programme outcome statistics

Summary of the Committee's findings

The Work Programme was introduced in June 2011 to help long-term unemployed people move off benefits and into sustained employment. It is estimated to cost between £3 billion and £5 billion over five years. In November 2012, the Department for Work and Pensions published its first set of data on the Work Programme's performance. Our report considers the performance to date and builds on our earlier report, in May 2012, on the Work Programme's design and early implementation.

Background resources

- NAO report: *Work Programme outcome statistics* – Session 2012-13 (HC 832)
- PAC report: *Work Programme outcome statistics* - Session 2012-2013 (HC 814)
- Treasury Minute: May 2013 (Cm 8613)

Updated Government response to the Committee

There were 5 recommendations in this report. As of the last Treasury Minute (Cm 8613), 1 recommendation was implemented and the department disagreed with 1 recommendation. 3 recommendations remained work in progress, all of which have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
The first set of data on the employment outcomes achieved by the Work Programme shows that it is performing well below expectations.

Recommendation:
The department needs a better understanding of the factors that led to early performance being well below expectations in order to assess whether the longer term targets for the Work Programme are still achievable.

1.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

1.2 The department has designed and implemented a comprehensive set of monitoring, analysis and evaluation arrangements that provide regular assessments of performance against expectation, and reasons for deviations. The department will continue to review these arrangements over the life of the contracts and beyond, building on the findings of internal and external reviews. Published information shows that whilst there have been improvements since the programme began, there remains performance variations.

1.3 The department's review of the performance of the bottom 25% of contracts has resulted in the providers delivering these contracts being placed within an enhanced performance management regime. This involves performance management teams engaging more closely with these providers to deliver improvement. In addition, the department has decided to terminate one contract – Newcastle College Group's contract in North East Yorkshire and the Humber. This was the lowest performing contract on a range of measures and had failed to improve.

2: Committee of Public Accounts conclusion
There is substantial variation in the performance of individual providers.

Recommendation:
The department should put in place mechanisms to share lessons learned and disseminate good practice across providers. It should also hold poor performing providers to proper account.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 The department has a Work Programme National Operational Forum to bring together providers at senior level to share experiences of service delivery, exchange good practice, and review the operation of the Work Programme. The department will hold underperforming providers to account - 12 contracts were subject to formal Performance Improvement Notices in respect of year 2 performance.

2.3 Whilst all contracts are on track to hit their contractual JSA targets, there is variation in performance. The department has reviewed provider performance and terminated one contract (Newcastle College Group) and placed a further 9 providers under an enhanced performance management regime for a period of six months.

5: Committee of Public Accounts conclusion

The department published performance data on the Work Programme without sufficient context and explanation.

Recommendation:

In future the department should release information in a timely manner, and include details of expected as well as actual performance, explaining any differences between the two.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 A release strategy was published in June 2011 setting out timetables for the earliest possible release, subject to appropriate quality assurance, and views invited on what should be published. The publication focuses on volumes going through the scheme, and outcomes and transparency indicators, which has been endorsed by the UK Statistical Authority (UKSA) as more relevant than Minimum Performance Levels (MPLs), which help manage providers.

5.3 In April 2013, the department announced changes to publish quarterly a quarter in arrears aligned to financial years. The department worked with the National Statistician's best practice unit on presentation and commentary. From June 2013, the release included information and clear explanations on MPLs. The department does not collect data on numbers of job starts. Additionally, the department cannot stop Employment Related Services Association (ERSA) or providers from releasing this information. The department has discussed this issue with the UKSA, who had no objection in principle.

Thirty Fourth Report

HM Treasury

Managing budgeting in Government

Summary of the Committee's findings

The Government needs strong budgetary systems to be able to control and manage public spending and to provide high quality public services that offer value for money to the taxpayer. Departmental spending is approved by Parliament in the annual budget process based on the multi-year budgets set in the spending review. The 2010 Spending Review set a four-year spending total for each department. The Spending Review focused on reducing public spending and delivering the coalition Government's programme.

Background resources

- NAO report: *Managing Budgeting in Government* – Session 2012-13 (HC 597)
- PAC report: *Managing Budgeting in Government* – Session 2012-13 (HC 661)
- Treasury Minute: May 2013 (Cm 8613)

Updated Government response to the Committee

There were 7 recommendations in this report. As of the last Treasury Minute (Cm 8613), 2 recommendations were implemented and the department disagreed with 1 recommendation. 4 recommendations remained work in progress, of which 2 have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
Political and contractual commitments limit the ability to allocate resources to achieve best value.

Recommendation:
The Treasury and departments should identify, before each spending review, existing commitments and future funding pressures to make sure overall expenditure plans are realistic and sustainable in the longer term.

1.1 The Government agreed with Committee's recommendation.

Target implementation date: Spending Round 2015-16.

1.2 The Government is committed to its protections of the health and schools budgets, and Official Development Assistance – and this reaffirmed at Budget 2013 for the upcoming Spending Round 2015-16. The Treasury has a longstanding agreement with departments that all commitments to significant expenditure in future Spending Review periods are subject to Treasury approval.

1.3 The Government recognises that protecting expenditure in key areas will increase the savings required from other departments at the 2015-16 Spending Round. However, these protections are underpinned by the Government's commitment to fairness, with distributional analysis illustrating that lower income groups are the biggest beneficiaries of spending in these areas. Spending in protected areas will nevertheless be subject to detailed scrutiny, like all other areas of departmental spending.

2: Committee of Public Accounts conclusion
The Government does not fully understand the impact of cuts as it focuses on short-term priorities rather than the longer term view.

Recommendation:
Departments should model the financial and operational implications of different spending options to support their bids for funding in the next spending review.

2.1 The Government agreed with Committee's recommendation.

Target implementation date: Spending Round 2015-16.

2.2 Departments have been issued with resource expenditure planning assumptions for the 2015-16 Spending Round and asked to model how these reductions can be achieved. The Government is also conducting a zero-based review of capital expenditure, with departments asked to demonstrate the economic benefit of their proposed spend, and will take a long-term approach to capital, setting plans out to 2020-21 for the most economically valuable areas of capital expenditure.

2.3 Departmental submissions will be reviewed by the Treasury in the context of the Government's priorities, including growth, efficiency and public service reform, and used to inform final departmental allocations. The Government is extending its efficiency programme into 2015-16, with the expectation of generating a further £5 billion of savings, to ensure a continued a focus on delivering higher-quality services and better outcomes at lower cost.

4: Committee of Public Accounts conclusion
The Treasury does not promote cross-government budgeting.

Recommendation:
The Treasury, together with Permanent Secretaries, needs to address the technical and cultural barriers to joint working. This will include making sure that the budgetary system does not penalise departments bidding to increase budgets in order to lower overall Government costs; and creating incentives for departments to pursue novel proposals which cross departmental boundaries.

4.1 The Government agreed with the Committee's recommendation to encourage joint-working across departments and will seek to remove impediments to novel proposals on cross-departmental working. However, the Government disagreed with the Committee's recommendation on departments bidding to increase budgets.

Recommendation implemented.

4.2 The Treasury has continued to look for ways to when introducing new policies, for example at Spending Round 2013, the Troubled Families programme was extended to 400,000 of the most vulnerable families; a single local growth fund was introduced; and a single pooled budget for health and social care services to work more closely together in local areas.

4.3 Spending Round 2013 announced a further increase in HMRC's revenue raising target, particularly from tackling avoidance and evasion including increased collection of tax credit debt through a payment by results funding basis. At Budget 2014, the Government announced a series of seminars led by the Treasury to engage with key stakeholders to consider the opportunities for further reform, and to develop ideas to support further fiscal consolidation in the next Parliament.

5: Committee of Public Accounts conclusion
High staff turnover and lack of commercial skills undermines the Treasury's ability to scrutinise departmental budgets effectively.

Recommendation:
The Treasury should be clear about the skills it needs to be effective in challenging departments on their spending plans and subsequent performance, and put in a place a strategy to secure and retain staff with the appropriate skills and experience.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 The Treasury recognises that high staff turnover is a serious issue, which threatens its ability to retain the knowledge it needs to manage public spending effectively. The Treasury has taken action to remedy this, with the review by Sharon White into the Treasury response to the financial crisis, which indicated that staff retention was improving. As part of the Spending Review 2010 settlement, the Treasury has a staffing target of around 1,000 by April 2014. The Treasury has achieved this by restructuring itself to focus on the department's core activities. Contingency plans should ensure that the Treasury is well-placed to handle future crises. Retention is now carefully monitored to retain specialist knowledge.

Thirty Sixth Report

HM Revenue and Customs

HMRC Customer Service

Summary of the Committee's findings

HM Revenue and Customs spent approximately £900 million on customer service in 2011-12, around a quarter of its £3.7 billion total expenditure. It received 79 million phone calls and 25 million items of post in the year. People contact HMRC because they want to get their tax right and HMRC is obliged to make sure they get a good service. However, in recent years the standard of HMRC's customer service has been unacceptable. For example, in 2011-12 20 million of the 79 million telephone calls made to HMRC went unanswered and customers incurred costs of £136 million while they waited to speak to an adviser.

Background resources

- NAO report: *HMRC: customer service performance* - Session 2012-13 (HC 795)
- PAC report: *HMRC: customer service* - Session 2012-13 (HC 869)
- Treasury Minute: June 2013 (Cm 8652)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8652), 1 recommendation was implemented and the department disagreed with 1 recommendation. 4 recommendations remained work in progress, all of which have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
HMRC has an abysmal record on customer service, but has now given the Committee welcome commitments for how it plans to improve.

Recommendation:
HMRC should now set out a clear plan for making these changes, including delivery dates and more detailed metrics for measuring and publishing performance, and report back to the Committee on progress in six months.

1.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

1.2 The department has implemented a number of customer service initiatives. Following trials with a Child Benefit and Tax Credit helplines call back service, the department is rolling out a new Interactive Response (IVR) message, which invites customers to ask for a call back when required. Additionally, a new Digital Strategy – selecting four significant exemplar services, looking to transform the way the department interact with its customers online and opening up digital services to new customer groups. The strategy will be delivered in April 2015.

1.3 The department is working to resolve more customer calls at first contact (once and done) and had implemented 62 ideas from the front line by 31 January 2014. The department is also working with Tax Agents to develop new performance measures. The department now publishes its performance data on a quarterly basis. Lastly, flexible working is now business as usual for resource planning across the department.

2: Committee of Public Accounts conclusion
The Committee welcomes HMRC's decision to move away from 0845 numbers which are much more costly for HMRC's customers.

Recommendation:
HMRC should inform other Government departments and agencies of its plans to move away from 0845 numbers and the costs and benefits associated with this change.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 All customer facing helplines were migrated to 03 numbers by 30 September 2013 - two months ahead of the target date.

4: Committee of Public Accounts conclusion

The prospects of fewer staff and more calls are a real risk to HMRC being able to improve standards of customer service.

Recommendation:

HMRC should develop a contingency plan for how it will make sure customer service is not sacrificed, in the event that its plans to reduce avoidable contact and deploy staff more flexibly do not work.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 From April 2014, Real Time Information (RTI) data will be used to automatically renew tax credits awards for some customers in Pay As You Earn (PAYE) employment. This will save customers having to report this data to the department; ensure the award is calculated using accurate information; reduce calls to the departments helpline; and cut down over / under payments and disputes.

4.3 The department learned several lessons from the Tax Credit peak, in July 2013, on how customer behaviour affects resources. As a result, the department extended flexible working and is moving resources to meet demand. This was deployed successfully during the Self Assessment peak in January 2014 and will be scaled up again for the tax credit peak in 2014. The department is currently reviewing all work streams to further flatten demand peaks across the year.

5: Committee of Public Accounts conclusion

Too many customers are not satisfied with the quality of service they receive, despite HMRC meeting its own internal quality standards.

Recommendation:

HMRC needs to improve how it deals with more complex queries and should distinguish between simple and more complex queries when it measures the quality of its advice.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 The department is now able to accurately distinguish between the following categories:

- simple queries;
- complex queries referred to technicians;
- Complex post workloads
- queries received by customers who need enhanced support
- Queries received from tax agents via the Agent Dedicated Helpline.

5.3 This information provides the department with a clear picture of the quality of advice it is providing to different customer groups and enables it to target improvement activity across both telephony and post activity.

Thirty Eighth Report

Department for Work and Pensions

Managing the impact of Housing Benefit reform

Summary of the Committee's findings

Housing Benefit helps those on a low income in social or private housing to pay all or part of their rent. It is overseen by the Department for Work and Pensions and administered by local authorities. Housing Benefit supported some five million households in Great Britain in 2011-12 at a cost of £23.4 billion. As part of the measures announced in the Emergency Budget of June 2010 and the Spending Review of October 2010, the Government is reforming Housing Benefit to reduce annual expenditure. Changes include reductions in the rates paid for private rented sector claimants and deductions in payments to social sector tenants in under-occupied homes.

Background resources

- NAO report: *Managing the impact of Housing Benefit reform* - Session 2012-2013 (HC 681)
- PAC report: *Managing the impact of Housing Benefit reform* – Session 2012-2013 (HC 814)
- Treasury Minute: June 2013 (Cm 8652)

Updated Government response to the Committee

There were 7 recommendations in this report. As of the last Treasury Minute (Cm 8652), 2 recommendations were implemented and the department disagreed with 1 recommendation. 4 recommendations remained work in progress, of which 2 have now been implemented, as set out below.

3: Committee of Public Accounts conclusion
The department does not seem to have thought through adequately the impact of its position on income from lodgers.

Recommendation:
The department must monitor the impact of this change.

3.1 The Government agreed with the Committee's recommendation.

Target implementation date: January 2015.

3.2 Universal Credit is being monitored continuously throughout its rollout. The department expects a small proportion of Universal Credit recipients, who have either boarders or lodgers, still to be affected by this change. Given the measured approach to the roll out of Universal Credit, the department will continue to collate evidence to then be able to draw conclusions on the impact of the new rules.

4: Committee of Public Accounts conclusion
It is not clear whether the increased funding to local authorities to help claimants as the reforms are implemented through Discretionary Housing Payments will be enough.

Recommendation:
The department should work with local authorities to measure demand for funding at a local level to target the way that resources are allocated.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 The department monitors the use of Discretionary Housing Payments (DHP) during the transition to the reformed welfare system and has published data on DHP expenditure for the first half of 2013-14. In November 2013, the department invited Local Authorities (LAs) to bid for additional DHP from a £20 million reserve. Only a quarter of LAs made a bid and over £7 million of the reserve went unspent. In January 2014, the Government announced the allocation of £165 million funding for DHPs in 2014-15, which will ensure that people can access ongoing support.

6: Committee of Public Accounts conclusion
There is a risk that the introduction of direct payments of housing benefit to tenants living in social housing could lead to an increase in rent arrears and evictions.

Recommendation:
The department should closely monitor the impact of the changes on social housing landlords and individual families, and respond quickly if there is an unintended adverse impact on the finances of social housing landlords or local authorities.

6.1 The Government agreed with the Committee's recommendation.

Target implementation date: May 2015.

6.2 The department, working in partnership with local authorities and landlords, has already taken steps to strengthen handling of the housing cost element within Universal Credit including the establishment of a specialist housing team who act a single point of contact for issue resolution and who deal with cases that may require alternative payment arrangements. The department continues to improve the service offered by our work coaches to ensure, for example, that they are focussed on offering personal budgeting support where appropriate.

7: Committee of Public Accounts conclusion
Reforms to housing supply and benefits can work in opposing directions.

Recommendation:
The department should work with devolved administrations to monitor the net effect of policies on house building and benefit levels and include impacts on housing supply explicitly in evaluations of benefit reforms.

7.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

7.2 The department is working closely with the Department of Communities and Local Government (DCLG) and the Welsh and Scottish Governments to ensure that the overall impacts on housing supply and benefit spending are considered in policy development and evaluation. Increasing housing supply is crucial to provide greater choice and ease pressures on rents. DCLG is increasing the supply of affordable housing, including through the extension of the Affordable Homes Programme to deliver 165,000 new homes, and assurances that social rent increases remain at CPI +1% per year from 2015-16 to 2024-25.

7.3 The two departments are also working together to strengthen the match between the affordable housing stock and the needs of households, including building more one and two bedroom homes in areas where they are in shortage, and giving housing providers the flexibility to use recycled capital grants to convert existing properties in low demand.

Thirty Ninth Report

Department of Health

Progress in making NHS efficiency savings

Summary of the Committee's findings

The Department of Health has estimated that the NHS needs to make efficiency savings of up to £20 billion in the four years to 2014-15. This should allow the NHS to keep pace with the growing demand for healthcare and live within its tighter means. The department reported that the NHS made savings of £5.8 billion in 2011-12, virtually all of that year's forecast of £5.9 billion. The department expected that by the end of 2012-13 the savings made would total £12.4 billion.

Background resources

- NAO report: *Progress in making NHS efficiency savings* – Session 2012-13 (HC 686)
- PAC report: *Progress in making NHS efficiency savings* - Session 2012-13 (HC 865)
- Treasury Minute: June 2013 (Cm 8652)

Updated Government response to the Committee

There were 6 recommendations in the report. As of the last Treasury Minute (Cm 8652), 6 recommendations remained work in progress. 4 recommendations have now been implemented, as set out below:

1: Committee of Public Accounts conclusion
The department's data on reported efficiency savings is unreliable.

Recommendation:
The department should set out a clear framework, based on simple accepted principles, and require NHS bodies to measure and report efficiency savings against this framework.

1.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

1.2 The department has a clear framework for holding NHS England (the NHS Commissioning Board) to account. One of the objectives in the Government's mandate to NHS England is to ensure good financial management and unprecedented improvements in value for money across the NHS, including ensuring the delivery of NHS England's contribution, and that of clinical commissioning groups, to the QIPP programme.

1.3 It is for NHS England to decide how it will achieve its objectives, and the department does not specify how NHS England or CCGs should measure or report efficiency savings. However, NHS England is legally required to report every year on progress against its mandate, and the Government must publish an annual assessment of NHS England's performance against objectives, including delivery of its contribution to the QIPP programme.

2: Committee of Public Accounts conclusion
As the Francis report on the Mid-Staffordshire NHS Trust identified, financial pressures may be causing some hospital trusts to cut staff with damaging effects on the quality and safety of care

Recommendation:
In overseeing trust performance, whether itself or through Monitor, the department should make sure that a range of information is brought together to give a complete view of both quality and finance issues.

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 In its initial response to the Francis report, the Government announced that the Care Quality Commission (CQC) would appoint a new Chief Inspector of Hospitals, who would assess and rate every NHS hospital. This would make it easier for patients and the public to understand overall performance. Professor Sir Mike Richards was appointed Chief Inspector of Hospitals in June 2013.

2.3 The CQC has started issuing indicative ratings for acute trusts and has set out a timetable for rating all sectors from October 2014. On 9 April 2014, CQC published a consultation for its handbooks for the inspection, regulation and rating of NHS Acute Hospitals, Adult Social Care, Community Health, GPs and Mental Health.

3: Committee of Public Accounts conclusion

The Committee was concerned that the NHS is seeking to make savings by rationing patients' access to certain treatments

Recommendation:

Building on the work started by the department, the NHS Commissioning Board should, as a matter of urgency, set clear, evidence-based eligibility criteria for access to services and make these publicly available.

3.1 The Government agreed with the Committee's recommendation.

Target implemented date: September 2014.

3.2 NHS England has published a number of interim generic policies to ensure fair and consistent decision making across its direct commissioning responsibilities. The policies describe NHS England's approach on issues including: Individual Funding Requests; access to treatments for patients moving between commissioners; and how NHS England will implement guidance from the National Institute for Health and Care Excellence (NICE). NHS England intends to review these policies this summer.

3.3 NHS England also provides guidance to CCGs, and has an assurance process to monitor CCGs' progress in commissioning services that best meet the needs of their patients. Both NHS England and CCGs remain accountable for commissioning services that are in line with the NHS Constitution.

4: Committee of Public Accounts conclusion

The NHS has made the obvious savings, particularly through wage freezes, first but will need to change fundamentally the way healthcare is provided to secure the level of savings needed in the future

Recommendation:

The department and the NHS Commissioning Board should set out their plans for delivering the level of savings required from service transformation, including how they intend to redesign payment mechanisms to encourage NHS bodies to work together.

4.1 The Government agreed with the Committee's recommendation.

Target implemented date: October 2014.

4.2 The department and NHS England do not have standalone plans for delivering savings from service transformation; service transformation is an integral part of commissioning plans. NHS England and CCGs' plans are designed to secure sustainable efficiency savings, including through transformational change and redesigning clinical services. NHS England is developing a five-year planning process, and is committed to developing and overseeing a framework for major service reconfiguration, setting out roles and responsibilities of different organisations, including securing sustainable efficiency savings in the planning process.

4.3 NHS England and Monitor are working on the redesign of payment mechanisms. They issued a joint discussion paper in May 2013 to seek feedback on early thinking on objectives and design options. That has helped to guide their work on long-term options for the design of the payment system, and a vision document is planned in autumn 2014.

5: Committee of Public Accounts conclusion
The public debate about changing how health services are provided needs to be better informed.

Recommendation:
The department should develop a coherent, comprehensive and transparent approach to presenting the benefits of service change, to enable it to move forward in this area and achieve the target savings it intends.

5.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

5.2 The department has a clear framework, where NHS England has clear objectives on which it can be held to account. In line with this, NHS England and CCGs are developing five-year strategic plans to respond to the challenges laid out in NHS England's *Call to Action* published in 2013. NHS England has set out in its planning guidance and business plan six characteristics of high quality and sustainable NHS services and is working to assure that the developing strategies deliver on these characteristics, so that the benefits of service change can be demonstrated.

6: Committee of Public Accounts conclusion
It is not clear who will take strategic decisions in the reformed NHS.

Recommendation:
The department should clarify who will provide this vital strategic direction and oversight in the reformed NHS.

6.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

6.2 The department is the steward and sets the strategic direction for the overall healthcare system working closely with its arm's-length bodies (ALBs), including NHS England, Monitor and the NHS Trust Development Authority (NHS TDA). These ALBs operate through a framework agreement with the department, and in the case of NHS England, a Mandate agreed with the Secretary of State. While NHS England oversees commissioners, Monitor and the NHS TDA are responsible for the oversight of providers.

6.3 Strategic decisions are taken at every level of the health and care system, and the Government's reforms have made responsibilities clearer than in the past. It is now defined in legislation which organisations are responsible for functions such as commissioning, regulating providers, price-setting, and planning education and training for health care workers. This has created a stable institutional framework that will enable better long-term strategic planning and direction.

6.4 At local level, health and wellbeing boards are a way for leaders from health and local government to provide strategic oversight of commissioning decisions across the NHS, social care and public health. Where cross-cutting issues arise that requires a collaborative response, organisations can and do work together flexibly. For example, all areas of the country have set up non-statutory working groups, bringing together commissioners, providers, local councils and other stakeholders, to give a whole-system perspective on urgent and emergency care.

6.5 At national level, the department is responsible for providing overall strategic leadership, and has set out its role as steward of the health system.[40] This includes developing strategic policy; allocating resources; ensuring alignment between objectives, structure and culture; and ensuring proper accountability. Furthermore, NHS England, Monitor and the NHS TDA work together nationally as the tripartite on key performance issues, such as A&E waiting times. They also work as the tripartite locally on key issues affecting the local health economy, such as local provider performance.

[40] See the Department of Health Improvement Plan: April 2014 (https://www.gov.uk/government/publications/department-of-health-improvement-plan-april-2014/department-of-health-improvement-plan-april-2014)

Forty First Report

Department for Education

Managing the expansion of the Academies Programme

Summary of the Committee's findings

Academies are publicly funded independent state schools. They are funded directly by central Government, directly accountable to the Department for Education, and outside local authority control. They have greater financial freedoms than maintained schools, for example to set staff pay and conditions. In May 2010, the Government announced its intention to allow all schools to seek academy status. By September 2012 the number of open academies had increased tenfold, from 203 to 2,309.

Background resources

- NAO report: *Managing the expansion of the Academies Programme* - Session 2010-12 (HC 682)
- PAC report: *DfE: Managing the expansion of the Academies Programme* - Session 2010-12 (HC 787)
- Treasury Minute: June 2013 (Cm 8652)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8652), 1 recommendation was implemented. 5 recommendations remained work in progress, of which 4 have now been implemented, as set out below.

1: Committee of Public Accounts conclusion
The value for money of the Academies Programme will ultimately depend on its impact on educational performance relative to the investment from the taxpayer.

Recommendation:
The department should set out what outcomes it aims to achieve from the expansion of the Programme, and how and when it will demonstrate whether progress is on track and value for money has been achieved.

1.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

1.2 The main outcomes against which the academies programme will be judged are set out in the Accountability System Statement.[41] How the department proposes to assess those outcomes is explained in the department's approach to assessing value for money.[42] The Academies Programme is a major educational reform and its effects will develop over many years, as will the resulting evidence base. It will be some years before the department can assess whether the programme has delivered value for money overall, and it will want to consider new evidence as it becomes available.

1.3 Academy Trusts are now asked to provide a statement demonstrating achievement of value for money. These statements will be produced annually and the department expects to use them to inform value for money practice in trusts.

2: Committee of Public Accounts conclusion
Inefficient funding systems and poor cost control have driven up the cost of the Programme.

Recommendation:
The department should report back to the Committee by the end of 2013-14 on how its funding reforms have reduced systemic problems such as the under-recovery of academy costs from local authorities, and on how far it has brought down other additional costs.

[41] https://www.gov.uk/government/publications/accountability-system-statement-for-education-and-childrens-services
[42] https://www.gov.uk/government/publications/academies-and-free-schools-programmes-assessing-value-for-money

2.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

2.2 The department reported back to the Committee on 31 March 2014. The department has simplified the local funding system and introduced a standard pro-forma for local authorities to set out the details of their formulae. From September 2014, funding for academies will change to equal monthly payments in line with local authority-maintained schools. Double-funding of academies for special educational needs services has ceased.

2.3 A Risk Protection Arrangement scheme for academies will be implemented from September 2014 to reduce the department's costs for academies' insurance. Differentiated pre-opening and start-up grants ensure new academies are funded more closely on need, and from April 2014, funding is being based on the academy's size and level of under-capacity on opening. The department will continue to monitor the costs of the academy programme and seek efficiencies to maximise value for money.

3: Committee of Public Accounts conclusion

The Committee is not satisfied that individual academies' expenditure is sufficiently transparent to parents, local communities or Parliament.

Recommendation:

The department should state how it will make robust, line-by-line information on individual academies' expenditure publicly available in the most cost-effective way.

3.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

3.2 The department released information about its budget allocations to academies in 2013 at the same time as budget information about maintained schools.

3.3 The Education Funding Agency published the Accounts Direction for 2012-13 in May 2013. This included a requirement for multi academy trusts to make additional disclosures in their annual accounts to provide analyses of central services, the fund balances held by each academy within a trust at the year end and each constituent academy by cost. The academy trusts' annual accounts have been published.

3.4 The annual benchmarking return for the year ended 31 August 2013 collected, for the first time, academy level information from multi academy trusts. The benchmarking data will be available in July 2014, and will also be published on the department's website.

4: Committee of Public Accounts conclusion

New governance, compliance and oversight arrangements for academies remain vulnerable to failure.

Recommendation:

The department and the Education Funding Agency should review the operation of the new audit and oversight regime put in place this year, and assess whether it is reducing risks to regularity, propriety and good governance.

4.1 The Government agreed with the Committee's recommendation.

Recommendation implemented.

4.2 Audit findings from the financial statements for the academic year 2012-13 have been reviewed and where necessary followed up for qualified regularity reports; severance payments over £50,000; and related party transactions. External auditors reported regularity issues in 3.7% of financial statements in 2012-13 a slight increase, which is believed to because of more targeted testing by external auditors following Education Funding Agency feedback to auditors in 2013.

4.3 The Accounts Direction, for 2014, has been drafted with a significant revamp of the regularity section, particularly guidance for auditors on testing, materiality and reporting on non-compliance. The Financial Handbook that underpins the audit and oversight regime was strengthened in 2013 and developed the intervention framework through 'financial notices to improve', which can be issued where there is financial, or governance failure, and which impose conditions including withdrawal of freedoms.

5: Committee of Public Accounts conclusion

Forthcoming staff cuts at the department and its agencies may threaten effective oversight as the Programme continues to expand.

Recommendation:

The department should review the Programme's central resource requirements, and the extent to which efficiency savings expected from new IT systems and assurance processes are being realised, and are sufficient to offset the need for further resources.

5.1 The Government partially agreed with the Committee's recommendation.

Target implementation date: May 2015.

5.2 The department is continuing to keep its resource requirements under review and, as part of that review, takes account of the impact of technological and policy developments. The department is currently reviewing its processes and resource requirements in the light of the appointment of Regional School Commissioners.

Forty Fourth report

HM Revenue and Customs

Tax Avoidance: the role of large accountancy firms

Summary of the Committee's findings

Confidence in the UK tax system can only be maintained if every company and every individual is seen to be paying their fair share of tax. The Committee held hearings in 2012 to investigate why some multinational companies pay little corporation tax despite doing a large amount of business in the UK, and why some individuals can get away with using contrived schemes to avoid tax. The Committee was also concerned about the role of tax advisors and in January 2013, took evidence from Deloitte, Ernst and Young, KPMG, and PWC to understand more about the nature of the tax advice they provide.

Background resources

- PAC report: *Tax avoidance: the role of large accountancy firms* - Session 2012-13 (HC 870)
- Treasury Minute: June 2013 (Cm 8652)

Updated Government response to the Committee

There were 6 recommendations in this report. As of the last Treasury Minute (Cm 8652), the department disagreed with 3 recommendations. 3 recommendations remain work in progress, as set out below.

4: Committee of Public Accounts conclusion
The Committee welcomes the four firms' agreement that tax laws are out of date and need revising.

Recommendation:
In line with the Committee's first recommendation in its Nineteenth report, the UK must take the lead in demanding the urgent reform of international tax law.

4.1 The Government agreed with the Committee's recommendation.

Target implementation date: December 2015.

4.2 The OECD *Action Plan on Base Erosion and Profit Shifting*[43] (BEPS) was published in July 2013 and endorsed at the G20 Meeting of Finance Ministers and Central Bank Governors in Moscow on 20 July 2013. The *Action Plan on BEPS* sets out a comprehensive set of 15 Action Points for reforming the international tax rules, to ensure that taxing rights over profits are aligned with the economic activities that generate them. The *Action Plan* also sets out a clear timetable for delivery of each action item through to December 2015.

4.3 To demonstrate the Government's commitment to the BEPS project, the UK has contributed €550,000 to the OECD to help ensure that work progresses to the ambitious timetable. HM Treasury and HM Revenue and Customs officials are actively engaged in the OECD Working Party discussions to take forward the work across the BEPS project

5: Committee of Public Accounts conclusion
Greater transparency over companies' tax affairs would increase the pressure on multinationals to pay a fair share of tax in the countries where they operate.

Recommendation:
The Committee thinks HMRC and HM Treasury should push for an international commitment to improve transparency, including by developing specific proposals to improve the quality and credibility of public information about companies' tax affairs.

[43] http://www.oecd-ilibrary.org/taxation/action-plan-on-base-erosion-and-profit-shifting_9789264202719-en

5.1 The Government agreed with the Committee's recommendation to improve transparency, but did not agree that companies should be forced to disclose details of their tax affairs publically.

Target implementation date: September 2014.

5.2 The *Action Plan on BEPS* includes a proposal to develop a country-by-country reporting template for multinational companies to provide all relevant governments with information on their global allocation of the income, economic activity and taxes paid among countries (Action 13). Through its Presidency of the G8 last year, the UK played a leading role in initiating this proposal, which will give tax authorities worldwide a clear picture of multinational's profit and tax, and enable them to identify potential risks. The OECD published a discussion draft for comment on 30 January 2014, held a public consultation on the proposals in Paris on 19 May, and the work remains on course to deliver to the September 2014 deadline.

5.3 The Government believes that this important initiative will enhance transparency between business and tax authorities, including those of developing countries, by providing tax authorities with high-level information to help them efficiently identify and assess risks.

6: Committee of Public Accounts conclusion

HMRC is not able to defend the public interest effectively when its resources are more limited than those enjoyed by the big four firms.

Recommendation:

The Government must ensure that HMRC is properly resourced to challenge the advice given by the four firms and others to companies and individuals seeking to aggressively avoid tax.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2015.

6.2 The Government considers that the department is sufficiently resourced to tackle tax avoidance. Since 2010, the Government has invested almost £1 billion in the department to tackle avoidance, evasion and reduction of losses from tax credit error, fraud and debt. The department will raise total additional compliance revenues of £24.5 billion per annum by the end of 2014-15. That is £9.7 billion more in compliance revenues, a 66% increase since 2010-11, which would not have been possible without the Government's additional investment.

6.3 As a result of the combined investment at the 2010 Spending Review and Autumn Statement 2012, the department will have increased the number of staff working on compliance by around 2,500 full time equivalents by the end of 2014-15 compared to 2010-11.