HM Treasury

Treasury Minutes

Government responses on the Fifty Sixth to the Sixtieth reports from the Committee of Public Accounts: Session 2013-14.

Cm8900

July 2014

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56th Report:	Establishing free schools
57th Report:	MOD Equipment Plan / Major Projects Review 2013
58th Report:	Probation Landscape Review
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60th Report:	Promoting economic growth locally

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

July 2014

Cm8900

TREASURY MINUTES DATED 14 JULY 2014 ON THE FIFTY SIXTH TO THE SIXTIETH REPORTS FROM THE COMMITTEE OF PUBLIC ACCOUNTS: SESSION 2013-14.

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Print ISBN 9781474108850
Web ISBN 9781474108867

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

ID 02071403 07/14 41720 19585

Printed on paper containing 75% recycled fibre content minimum

Fifty Sixth Report

Department for Education

Establishing free schools

1: Committee of Public Accounts conclusion

Free schools operate independently of local authorities and have freedoms over their curriculum, school day and term time, staffing, and budgets. The department invited the first applications to set up free schools in June 2010 and the first 24 free schools opened in September 2011. By September 2013, there were 174 free schools open with a further 116 in the pipeline to open from September 2014 onwards. The department estimates that it will have spent £1.1 billion on free schools by March 2014, of which £0.7 billion will be capital expenditure on buildings and land. The department implements free school policy, assesses and approves applications, and has overall responsibility for value for money. The Education Funding Agency is responsible for acquiring premises, and for the funding and oversight of financial management and governance in open free schools.

1.1 On the basis of the report by the NAO, the Committee took evidence on 13 January 2014, from the Department for Education and the Education Funding Agency, on the process in establishing free schools. The Committee published its report on 9 May 2014. This is the Government response to the Committee's report.

Background resources

- NAO report: *Establishing free schools* – Session 2013-14 (HC 881)
- PAC report: *Establishing free schools* – Session 2013-14 (HC 941)

2: Committee of Public Accounts conclusion

The department could do more to draw on the experience of the early tranches of free schools to understand the take-up of places.

Recommendation:

The department should reflect on what it has learned about demand using the evidence base from free schools it has already opened, and review its guidance to free school applicants, as well as its assessment criteria, accordingly.

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

2.2 The department has continuously made improvements to the application guidance and criteria, adjusting its approaches following each wave of free school applications. Since wave 5 (September 2013) it has considered a wider definition of 'demand' that includes interest from parents, but also takes into account the existing educational performance in local areas and need for school places. The most recent version of the assessment criteria in the *Free school application guide* was published on 30 May 2014.[1] The department will continue to scrutinise levels of demand at the assessment and pre-opening stages, and in the initial years when a free school is open. The New Schools Network will continue to advise proposer groups about how to produce robust evidence of demand.

2.3 Since the first free school opened in 2011, 24,000 pupils are attending free schools, with 86% of planned admission places filled (at November 2013) which the department recognises as a good achievement. It is not unusual for a school to have spare places – across state-funded primary and secondary schools in May 2013, there were around 11% unfilled places (as a percentage of total places). Experience so far suggests that the longer a free school is open, the more popular it becomes. Free schools (excluding alternative provision and independent school converters) that opened in 2011 had 90% places filled in their first year, which had risen to 95% by the second and third year. The department will continue to feed its learning back into the assessment process.

[1] https://www.gov.uk/government/collections/opening-a-free-school

3: Committee of Public Accounts conclusion
The department should be more open about the reasons for making decisions in favour of opening free schools.

Recommendation:
The department should be more open about publishing the reasons for determining that a free school application be progressed.

3.1 The Government disagrees with the Committee's recommendation.

3.2 The department agrees with the importance of transparency, but believes that the free school process is already sufficiently transparent to allow proper public scrutiny.

3.3 The department's decision-making process for selecting free schools is robust and provides a reasonable basis for challenging applications. The department is open with applicants about the reasons for selection decisions. It publishes detailed guidance for applicants, including the criteria they will be assessed against. After decisions are made, all applicants receive detailed written or oral feedback. Some applicants reflect on the feedback given and re-apply. The public has the opportunity to scrutinise proposals that are selected to proceed during the pre-opening process, and when the schools concerned are open. It is appropriate that the department also considers a number of practical factors, such as where multiple applications are seeking to meet the same need, when making selection decisions.

4: Committee of Public Accounts conclusion
The Committee is concerned about the escalating capital costs of the programme.

Recommendation:
The department needs to apply tighter management of the capital costs of the programme and to work with LEAs to identify sites for schools so that land costs are not inflated.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The Government has already achieved considerable success on free schools capital with construction costs 45% cheaper than previous school building programmes. But the department agrees there is always more that can be done. It strongly agrees that local authorities could and should do more to identify potential sites for free schools.

4.3 As the programme grows, the department is achieving greater economies, purchaser power, and a larger set of cost data to utilise in benchmarking and identifying key cost drivers and efficiencies. The department has set challenging thresholds for budget approval and introduced tighter controls over how and when it acquires sites, including temporary accommodation.

4.4 The department expects to continue to receive a greater proportion of applications from areas with the greatest demand for places. This demonstrates value for money, but it does present increased cost challenges, as those areas with demographic growth are invariably those with the fastest-rising property prices. That need is also increasingly at secondary level, where site acquisition and construction costs are higher. There is an inherent tension in the Committee arguing that we should open more schools in the most expensive parts of the country while also expecting the department to reduce the costs of those schools.

5: Committee of Public Accounts conclusion
One of the Committees primary concerns in relation to the implementation of this policy is that arrangements for the audit and governance of free schools are not yet effective.

Recommendation:
The department and Agency should evaluate whether their arrangements for audit and accountability fully address the risks in the programme. The Agency must address poor levels of compliance by free schools with its governance and financial reporting requirements. It should also update its financial management guidance to forbid the use of confidentiality clauses in school's staff contracts.

5.1 The Government disagrees with the Committee's recommendation.

5.2 The financial accountability systems in place for free schools are more rigorous than those for maintained schools, commensurate with the increased levels of autonomy, which enables swift resolution if there are any issues of financial impropriety. The department will continue to keep these systems under review.

5.3 The Academies Financial Handbook sets a clear expectation for free schools to submit their audited accounts on time. The Agency takes seriously any instances where this does not happen and will consider issuing a Financial Notice to Improve.

5.4 Compromise agreements can be used to make crucial staffing changes. However, this does not prevent a protected disclosure or whistleblowing. Therefore, any provision will be void to the extent it seeks to do so. Model settlement agreements for new academies now make it absolutely clear that compromise agreements cannot be used to prevent whistleblowing.

6: Committee of Public Accounts conclusion
There has been no demand to open free schools in some areas with significant forecast need for additional school places.

Recommendation:
The department should set out how, and by when, it will encourage applications from areas with a high or severe forecast need for extra schools places, working with local authorities where appropriate.

6.1 The Government disagrees with the Committee's recommendation.

6.2 The department already encourages applications from areas with a need for new school places. The free schools programme is demand led, so the department welcomes interest from all parts of the country and it does not want to set specific targets for how and when applications from certain areas will be received.

6.3 However, the New Schools Network holds events to help stimulate demand in areas where few applications have been made, where existing provision is poor quality, and where there is a basic need for places. And the department will write to local authorities that have the greatest need for new school places, as well as strong schools within them, to encourage additional free school applications in those areas. The department hopes that local authorities will respond favourably, but of course not all are positive about the free schools programme.

6.4 Despite concerns about free schools meeting a need for school places, the facts show that seven in every ten mainstream open free schools were set up in areas with a shortage of places. In June 2014, the department confirmed that 84% of all wave 6 approvals will meet a basic need for school places and that in total, 75% of all open and approved free schools will meet such a need. An explanatory note was published on 19 June 2014.[2]

[2] https://www.gov.uk/government/publications/free-schools-opened-in-areas-needing-additional-school-places

Fifty Seventh Report

Ministry of Defence

The Ministry of Defence Equipment Plan 2013–23 and Major Projects Report 2013

1-2: Committee of Public Accounts conclusions

In February 2014, the department published its second annual statement on the affordability of the Defence Equipment Plan, which sets out its plans to deliver and support the equipment that the Armed Forces will need in the coming years. The Equipment Plan has a budget of £164 billion for the period 2013-2023, made up of £63 billion for equipment procurement, £87 billion for equipment support, £4.7 billion contingency and an unallocated budget of £8.4 billion. Each year, the department also presents a Major Projects Report to Parliament, which provides data on the cost, time and performance of the largest defence projects.

The NAO has reviewed the assumptions underlying the department's Equipment Plan and the data from the Major Projects Report. Together, the NAO's reports on the Equipment Plan and Major Projects Report aim to provide an informed basis for Parliament to examine how the department is managing the procurement and support of the UK's defence capability.

1.1 On the basis a report by the NAO, the Committee took evidence, on 12 February 2014, from the Ministry of Defence on progress in delivering its major projects and on affordability of its Equipment Plan. The Committee published its report on 13 May 2014. This is the Government response to the Committees report.

Background resources

- NAO report: *Major Projects Report 2013* - Session 2013-14 (HC 817-1)
- NAO report: *Equipment Plan 2013 to 2023* – Session 2013-14 (HC 816)
- PAC report: *Ministry of Defence Equipment Plan 2013-23 and Major projects Report 2013* Session 2013-14 (HC 1060)

3: Committee of Public Accounts conclusion
The department does not yet fully understand the reasons for the £1.2 billion under spend on its Equipment Plan in 2012-13.

Recommendation:
The department should establish processes to improve its data at project level, covering project progress and spending against forecast to understand the principal causes of any under or overspend on its Equipment Plan. The Committee expects the department to have this in place for its 2014-2024 affordability statement.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2015.

3.2 The Defence Equipment and Support (DE&S) reporting process for Financial Year (FY) 2014-2015 is focussed on project level review. A revised monthly governance process has been implemented incorporating detailed reviews, focussed on project level variance reporting, from Operating Centre level through Domain Chief Financial Officers to the Director General Resources in the DE&S. This is supported by the roll-out of a reporting tool, Forecast Project Model, to facilitate analysis at project level. Commentary with the use of Forecast Project Model is a key enabler to enhanced root cause analysis of project spending.

3.3 The Cost Assurance and Analysis Service has undertaken a detailed independent review of the 21 major projects that exhibited the largest under-spending variations in FY12-13 and FY13-14 against the Planning Round 12 baseline. The review aims to identify the root causes of under-spending, and recommend specific actions to correct these, which the department would then take forward.

4: Committee of Public Accounts conclusion
The department does not yet fully understand its equipment support costs, which raises concerns that the Equipment Plan is affordable.

Recommendation:
The department should complete its work on its support costs to provide accurate data to the NAO in time for it to report to Parliament on the whole of the Equipment Plan for 2014-2024.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The Cost Assurance and Analysis Service has completed the preparation of a number of Equipment Support Programme Independent Cost Estimates, and these have been provided to NAO to inform their current engagement on the 2014-2024 Equipment Plan.

5: Committee of Public Accounts conclusion
The department does not yet have a comprehensive understanding of the risks to the Plan and so has not set out clearly the extent of the risks that the contingency is intended to cover.

Recommendation:
The department should ensure all project teams are applying good practice in cost and risk modelling to help develop its understanding of aggregate risk across the Equipment Plan. It should set out clearly, and quantify, what the contingency is intended to cover.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 The department has set out clear guidance on risk and has established a centre of excellence on schedule and cost risk analysis, hosted in the Cost Assurance and Analysis Service, to support Project Teams in their work. Formal management of risk training is available.

5.3 The Equipment Plan (EP) contingency was prudently established in May 2011, following a review of the EP by the Director General Finance, Deputy Chief of Defence Staff (Capability) and the Chief of Defence Materiel. The EP contingency is maintained by Head Office and is designed to provide flexibility to address risks across the whole Equipment Plan.

6: Committee of Public Accounts conclusion
The affordability of the Equipment Plan relies on achieving significant savings in some of its major programmes.

Recommendation:
In its annual statement to Parliament on the affordability of the Equipment Plan, the department should report on its progress against its assumed efficiency savings in major programmes.

6.1 The Government agrees with the Committees recommendation.

Target implementation date: Spring 2015.

6.2 The department recognises the continuing affordability of the Equipment Plan relies on achieving savings in some of its major programmes. The department will therefore include an update in its annual statement to Parliament on the affordability of the Equipment Plan. The update will set out the department's progress against delivering savings in the most materiel military capability programmes. It will set out the affordability of the Equipment Plan, highlighting where those savings have been assumed in budgets - for example: Submarine Enterprise Performance Programme, and Complex Weapons Pipeline.

7: Committee of Public Accounts conclusion
The department still has a shortage of skills across its critical functions.

Recommendation:
The department should pursue all options to enable it to meet its skills requirements at the best value for taxpayers, including engaging with and learning from other departments (such as Energy and Climate Change and Transport) that are experiencing similar gaps in critical areas. Treasury and Cabinet Office should look across Government at skills shortages and accept solutions that do not require bureaucratic reorganisations as the only route to enabling departments to recruit skilled people at market rates.

7.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

7.2 The Civil Service Capabilities Plan was launched in the department in April 2013, alongside the department's Skills Strategy, to provide greater focus for investment in learning and development, particularly in priority areas including commercial, project delivery and engineering. The Annual Skills Review in August 2013 suggested that appropriate training interventions are in place to reduce skills gaps, and a range of initiatives are now underway. These are being led by the department's network of Skills Champions. Those in senior programme leadership roles participate in the Major Projects Leadership Academy (MPLA).

7.3 The department has had 44 senior leaders accepted on to the MPLA, with 8 having completed as of June 2014. The department is working closely with the Major Projects Authority in order to target the significant investment that MPLA represents at the most appropriate attendees. This has led to a focus on Senior Responsible Owners of the department's most significant programmes, which form part of the Government Major Projects Portfolio. Where the nomination of these individuals for MPLA would have not represented value for money[3], the department has sought to identify and nominate potential successors, and where this has not been possible, subordinates to ensure suitable coverage.

7.4 On 1 April 2014, DE&S was launched as a bespoke trading entity. The new organisation remains part of the department, but is now an arm's length body with a separate governance and oversight structure. DE&S has been provided with significant freedoms, agreed with the Treasury and the Cabinet Office, around how it manages its business and workforce. This includes the freedom, within an agreed cost envelope, for DE&S to implement its own pay and grading structures in support of recruiting and retaining the skills it needs.

[3] This may be where an individual is due to leave the Department or their current role and a longer term involvement in GMPP programmes is not foreseen.

Fifty Eighth Report

Ministry of Justice

Probation Landscape Review

1: Committee of Public Accounts conclusion

The probation service in England and Wales supervised 225,000 offenders in our communities during 2012-13, at a cost of £853 million. The service is currently delivered by 35 Probation Trusts which are independent Non-Departmental Public Bodies, reporting directly to the National Offender Management Service. As part of the Ministry's Transforming Rehabilitation reforms, the Trusts will cease to operate from 31 May 2014 and will be abolished shortly afterwards, to be replaced by a National Probation Service and 21 Community Rehabilitation Companies. The Ministry anticipates that savings generated by the reforms will allow the provision of rehabilitation services to be extended for the first time to an extra 50,000 offenders sentenced to less than 12 months in custody.

1.1 On the basis of a report by the NAO, the Committee took evidence, on 12 March 2014, from the Ministry of Justice and the National Offender Management Service about changes the Ministry is implementing to the way in which probation services are delivered in England and Wales. The Committee published its report on 20 May 2014. This is the Government response to the Committees report.

Background resources

- NAO report: *Probation Landscape Review* - Session 2013-14 (HC 1100)
- PAC report: *Probation Landscape Review* - Session 2013-14 (HC 1114)

2: Committee of Public Accounts conclusion

The scale, complexity and pace of the reforms give rise to risks around value for money which needs to be carefully managed. The Committee welcomes the Accounting Officer's assurances that the Ministry will not proceed with the arrangements unless it is safe to do so.

Recommendation:

The Ministry should set out the key review points it will use to assess whether it is safe to progress to the next stage of the programme and report the basis on which, should it decide to do so, it considers it safe to proceed.

2.1 The Government agrees with the Committee’s recommendation.

Recommendation implemented.

2.2 The department understands the importance of rolling out these reforms in a measured, orderly way while maintaining public safety. Membership of the Programme Board, the senior decision making authority of the programme, is constituted to provide ongoing scrutiny and challenge. It is chaired by the Programme’s SRO, the Director-General Criminal Justice, and includes two Non Executive members (one ex-Chief Probation Officer, one Commercial Advisor), and senior representatives from the Treasury and the Major Projects Authority (MPA).

2.3 The programme’s robust governance includes comprehensive internal and external assurance arrangements. At key stages the Board has considered whether it remains safe and appropriate to proceed to the next stage, informed by business and system readiness testing undertaken by the programme and externally assured. This will continue through remaining stages and in advance of contract award and the signing of agreements. Additionally, the Accounting Officer tests will form the basis for whether it is appropriate to proceed. Externally, a Programme Assessment Review will be undertaken by the MPA to consider the programme’s full business case in line with competition outcomes. The findings will be considered at a meeting of the Major Projects Review Group panel in autumn 2014, ahead of signing of agreements.

3: Committee of Public Accounts conclusion
The department must ensure that the current standard of performance is maintained during the transition to new providers and the increase in offender numbers to be covered by the reformed service.

Recommendation:
The performance of the current probation service should be the benchmark against which the reformed service is judged. The Ministry should set clear performance metrics for the new systems, both during the transition process and beyond, and monitor performance to ensure a satisfactory service is maintained.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 Community Rehabilitation Companies (CRCs) will be expected to maintain and build on current performance. CRC contracts will include clear performance metrics for the new system, both during the interim state and after share sale. The department will monitor performance to ensure a satisfactory and safe service is maintained. During the interim state performance metrics have been grounded in current Trust performance measures. After share sale, a revised set of performance metrics will apply, which reflect the new services, including the sentencing changes being introduced in the Offender Rehabilitation Act 2014. This includes the extension of supervision and rehabilitative support after release to a wider group of offenders, and provisions of a new "through the prison gate" resettlement service.

3.3 Existing CRC performance will be used as the baseline for the performance mechanism where possible. If they fail to meet targets, providers face service credits, contractual remedies and, ultimately, contract termination for repeated failures. Alongside the performance mechanism, the department will use robust contract management and audit to ensure the Community Rehabilitation Companies meet their contractual obligations and deliver effective services and value for money to the taxpayer.

4: Committee of Public Accounts conclusion
The Ministry's poor track record of managing procurements and contracts raises particular concerns given the scale and ambition of this programme. The Ministry recognises that its performance in managing procurements and contracts has been poor, with the failures revealed in its electronic tagging contracts and the contract for providing interpreters to the Courts.

Recommendation:
The Ministry needs to apply best practice in all aspects of contract design, bid evaluation and contract management and be able to demonstrate that it has learned the lessons from previous contracts.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 In April 2014, the department's Director General of Finance wrote to the Committee setting out the detailed lessons learned in the wake of the language services contract and how these have been incorporated within the Transforming Rehabilitation (TR) Programme. Following the Breedon Report and the Cross-Government Review of major contracts, the department has strengthened the contract management function in NOMS and is embedding the NAO checklist. The contract design has been informed by a full market analysis and pre-market engagement before commencing formal procurement, along with thorough bidder engagement during the 'invitation to negotiate' phase.

4.3 In line with best practice, the bid evaluation process has been subject to external scrutiny and assurance, with a proactive management of risk and the appropriate resource assigned to it with clear escalation routes. The TR Programme's transition and implementation plans explicitly mitigate anticipated start up issues for the new contracts, with a phased roll-out, allowing evaluation with a full stress test of the delivery model. Learning from past contracts has been applied at every stage of the TR procurement and contract management process.

5: Committee of Public Accounts conclusion
The supervision and management of offenders is an essential public service that must be maintained in the event of a supplier failing or withdrawing from the contract.

Recommendation:
The Ministry must establish a clear mechanism for identifying suppliers at risk of failing or withdrawing from their contracts that includes setting out what action it will take in these circumstances to maintain an adequate service.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 Current indications are that there is a strong and diverse market and that the bids the department will receive to run Community Rehabilitation Companies (CRCs) will be of a high standard. However, the department will only award contracts where there is an acceptable final bid in terms of both price and quality criteria, including the financial robustness of the bidder's proposals. NOMS will manage the contracts with CRCs and ensure oversight and assurance to identify issues at an early stage.

5.3 Deputy Directors, with substantial experience of managing complex public services, have been appointed and are leading interim contract management processes, whilst final end state arrangements are matured during the period of public ownership. They will ensure consistent day-to-day delivery of contracts and will be responsible for reviewing CRC performance, supporting performance improvements and identifying good practice. The draft contracts contain a full range of remedies to guard against issues such as supplier failure, up to and including contract termination in the case of insolvency, default or persistent breach. This provides the department with the right to step in and take over the contract, and act as a supplier of last resort in the event of significant concerns about delivery.

6: Committee of Public Accounts conclusion
The proposed mechanism for paying Community Rehabilitation Companies by results is quite complex, untested and remains subject to agreement with suppliers.

Recommendation:
The Ministry should set out how it intends to satisfy itself that the proposed payment mechanism is workable. As the Committee recommended in its recent report on contracting out public services, the Ministry must include open book accounting arrangements and ensure that they are used effectively. The Committee would also want the NAO to have full access to contractual information that is relevant to assuring Parliament that value for money is being served in these contracts.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 The department has undertaken considerable assurance to satisfy itself that the payment mechanism is workable, consulting widely on the draft mechanism and undertaking extensive testing of the final mechanism (including with Probation Trusts). The Treasury and Cabinet Office have been engaged to receive their input and ensure they are content with the design, principles and structure. The design was subjected to testing by external financial advisors, which concluded that it incentivises providers to tackle reoffending, that volume risk is shared appropriately and that mitigations in the mechanism discourage gaming by suppliers.

6.3 In March 2014, the Permanent Secretary wrote to the Committee to confirm that the department would be adopting open book accounting arrangements, in so far as contracts will provide that the Authority (the department) will have full audit rights over information held by the provider, including access to all account books and financial records held by the provider in the provision of the service. As part of the contractual and audit arrangements, provision has been made to allow for swift remedial action where the provider has failed to fulfil any material obligation. The department will also provide the NAO with full access to contractual information.

7: Committee of Public Accounts conclusion

Conclusion:

The Ministry told the Committee that it expected to make savings by creating a new Probation Service. However, the Committee will wish to return to an examination of the new arrangements to ensure they haven't resulted in more bureaucracy and additional demands on managing offenders.

7.1 The Government notes the Committee's comment.

Fifty Ninth Report

Home Office / Ministry of Justice / Attorney General's Office

Criminal Justice System

1: Committee of Public Accounts conclusion

The Criminal Justice System (CJS) is overseen by the Home Office, the Ministry of Justice and the Attorney General's Office, which oversees the Crown Prosecution Service (CPS). The CJS encompasses the police, prosecution, courts, prison, youth justice and probation services. Its objectives include: reducing crime and reoffending; punishing offenders; protecting the public; and increasing public confidence. In 2012-13, total expenditure by central Government was some £17.1 billion; but the estimated social and economic cost of crime is much greater, with organised crime alone costing at least £24 billion each year.

The CJS is currently undergoing comprehensive change, designed to improve the aspects the Government considers do not work well and to help make significant cost savings. The White Paper Transforming the CJS, published in June 2013, set out a two-year programme of reform and contained a 64-point action plan. The White Paper recognised that the CJS remained cumbersome and slow, contained too many complex procedures and archaic working practices, and that there was a need for better collaboration between the various bodies involved.

1.1 On the basis of a report by the NAO, the Committee took evidence, on 17 March 2014, from the Home Office, the Ministry of Justice, and the Attorney General's Office on the operation of the criminal justice system. The Committee published its report on 20 May 2014. This is the Government response to the Committees report.

Background resources

- NAO report: *Criminal Justice System Landscape Review* - Session 2013-14 (HC 1098)
- PAC report: *Criminal Justice System* - Session 2013-14 (HC 1115)

2: Committee of Public Accounts conclusion

The departments need to demonstrate a clearer link between their actions and the recent reduction in crime.

Recommendation:

The departments should write to the Committee in six months to update on progress against the 2013 White Paper action plan. The departments should undertake the research necessary to understand better the impact of their interventions on the fall in crime, to enable them to target their activity to maximum effect.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: November 2014.

2.2 Since publication of the Strategy and Action Plan (SAP) in June 2013, progress against the 63 actions has been monitored, overseen by the Criminal Justice Board (CJB) and led by the SAP Implementation Group, comprising leads from across the CJS. Government analysts contribute by considering factors which could affect crime and justice outcomes. An update on progress will be published in summer 2014.

2.3 The Crime Survey for England and Wales shows that crime has fallen by 60% since its 1995 peak. Continuing that downward trend requires action both locally and nationally. To give the police the best available evidence on which local interventions are effective at cutting crime, the Home Office helped established a *What Works Centre* within the College of Policing. Similarly, MOJ is transforming offender management to drive down re-offending; has published a summary of what works evidence; and launched the Justice Data Lab, which gives organisations aggregate re-offending data to assess their effectiveness.

2.4 Where national interventions are undertaken, both departments undertake appraisal and evaluations in accordance with the Treasury *Green Book*. Following policy implementation, evaluation is broadly in line with the Treasury *Magenta Book*. However, not all interventions can be subject to formal evaluation.

3: Committee of Public Accounts conclusion
Greater strategic alignment at top level is not matched at the front line.

Recommendation:
The departments need to develop their understanding of the interdependencies throughout the Criminal Justice System, communicate expectations to all and apply good practice at all levels.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: end of 2017.

3.2 The SAP sets out Government's commitment to local partnership working. Criminal Justice Board (CJB) members are engaging with local partnerships through a series of road shows and a one day conference in October 2014, to build genuine and sustainable local-central links, promoting national interests and enabling CJS leaders to better understand local issues. The Government is also working with local partnerships to set clearer expectations for performance and promote good practice by providing a version of the CJB's performance framework, enabling them to monitor performance according to national priorities whilst allowing for local flexibility. This will be implemented by October 2014.

3.3 The departments are developing the CJS Common Platform - a technology enabled way of bringing essential crime information together for use by criminal justice practitioners. At its heart is the creation of a single criminal case management system to be used by CPS and HMCTS staff. The departments are also developing a 'whole system' representation that will draw together management information statistics and analytical modelling to develop the department's understanding of interdependencies across the CJS.

4: Committee of Public Accounts conclusion
Collaboration between police forces undoubtedly improves efficiency.

Recommendation:
The Criminal Justice Board needs to drive better and greater levels of collaboration, recognising that this may take different forms in different areas depending on local characteristics. The Board should understand the range of approaches evolving on the ground, highlight areas of inertia and use its levers and influence to promote best practice in them.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 Police collaboration is an important tool for achieving cost savings and for making best use of specialist police services. Police and Crime Commissioners (PCCs) are under a duty to collaborate in the interests of efficiency and the departments would expect police collaboration to be driven by PCCs rather than the Criminal Justice Board. The Police Reform and Social Responsibility Act 2011 (the 2011 Act) contains provisions which drive the use of collaboration, including amending the Police Act 1996 to provide for collaboration agreements (including their mandation) (s.23G of the Police Act 1996).

4.3 The Home Secretary has published statutory guidance for Police collaboration, issued under s.23F of the Police Act 1996, which sets out the obligation to consider entering into a collaboration agreement. The 2011 Act also places a duty on chief constables and PCCs to co-operate with other criminal justice bodies to provide an efficient and effective criminal justice system (s.10).

5: Committee of Public Accounts conclusion
The quality of police case files is poor and getting worse.

Recommendation:
The departments should build upon the actions in hand to address poor quality case files. The Criminal Justice Board should set priorities and develop metrics to monitor performance and drive consistent standards, so they can identify the poor performers and target remedial action.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2016.

5.2 CJS agencies are developing a Streamlined Digital File that will help police officers collect the right amount of evidence and ensure that the relevant details about the case are contained within a single digital file to be made available for all court users. This will achieve some of the digital capabilities set out by the College of Policing.

5.3 A national steering group of the Policing lead for Criminal Justice, the College of Policing, HMIC, Home Office, and the CPS has been set up to improve file quality. A self-assessment matrix has been issued to all police forces to identify the current position within each force area. Improvements will be introduced as part of the rollout of Transforming Summary Justice throughout 2014-15. It is intended future assessment will be undertaken by the College of Policing on an annual basis, which will provide a view of the landscape in terms of case quality, with good practice being identified and shared continuously. The College of Policing is also improving training for police officers on appropriate file build, with a longer term programme of work to fully embed case file training into police professional development.

6: Committee of Public Accounts conclusion
The remarkably slow progress in improving IT systems over the last decade means there are still too many disparate systems, which fail to operate together.

Recommendation:
The departments need to set a clear vision for future IT with a timetable for how different initiatives will come together to provide a coherent and seamless case management system.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 The Digital Business Model was launched in April 2014 and details how all the current reform programmes, across the CJS, will link together to create a digitised system. The model also includes finer details about how different users of the system will benefit from the changes. The model is owned by the Criminal Justice Board and includes representatives from CJS agencies, the police and Judiciary. Digitisation is delivered at different paces both nationally and through local initiatives. The key challenges are to ensure slow changing areas keep pace with pathfinders; that all activity links up; and there is no duplication of others' work. The Home Office is setting out information standards, which will allow police and CJ systems to work together, beginning with CJ standards.

7: Committee of Public Accounts conclusion
The Criminal Justice System is too reliant on a small number of large suppliers, and is missing the opportunity to fully exploit what markets can offer.

Recommendation:
The Criminal Justice Board should be able to demonstrate by its actions and choices that it has created a mixed market of suppliers. Contracts should therefore be framed in a way that creates genuine opportunities for a broad range of suppliers, including SMEs, to participate.

7.1 The Government agrees with the Committees recommendation

Recommendation implemented.

7.2 The CJS is working to ensure that businesses of all sizes can work with departments, increasing the number of Small and Medium Enterprises (SMEs) that can compete on a level playing field for Government business. In 2012-13, 35% of Ministry procurement spend went to SMEs, exceeding the Government's aspiration of 25% making it one of the top performing departments. The Ministry has increased spend with SMEs over the past two years, implementing process changes to increase transparency and make it easier for SMEs to bid for work. The Home Office's Commercial Directorate is supporting the Cabinet Office led work to create competitive and sustainable supply markets for the delivery of public services generally and in particular the introduction by the police of procurement reforms to assist SMEs.

7.3 To help small firms bid for work on a level playing field, the Ministry has made a number of changes to its procurement processes, including splitting up large contracts and removing red tape. The transforming rehabilitation programmes, which will see public, private and voluntary sectors working together to tackle reoffending rate, will create genuine partnerships between large and small organisations.

Sixtieth Report

Department for Business, Innovation and Skills / Department for Communities and Local Government

Promoting economic growth locally

1: Committee of Public Accounts conclusion

In 2010, the Government announced its new approach to local economic growth in the White Paper Local Growth: realising every place's potential. The White Paper announced the abolition of the Regional Development Agencies and introduced new structures and funds to promote and coordinate local economic growth. The first of these were the Local Enterprise Partnerships and the Regional Growth Fund. The departments then introduced Enterprise Zones in 2011 and the Growing Places Fund and City Deals in 2012.

In the four years to 2014-15, the departments have allocated £2.6 billion to the Regional Growth Fund in the first four rounds; £325 million to Enterprise Zones; £730 million to the Growing Places Fund and £223 million to City Deals. This brings the total funding for the four year period to 2014-15 to £3.9 billion. The Department for Communities and Local Government is responsible for all of these local growth initiatives, except for later rounds of the Regional Growth Fund. The Department for Business, Innovation and Skills is responsible for rounds five and six of the Regional Growth Fund, amounting to £600 million.

In 2015, the Government will introduce the Local Growth Fund, worth £2 billion in 2015-16. This funding is available to Local Enterprise Partnerships subject to agreeing growth deals with central Government.

1.1 On the basis of two reports by the NAO, the Committee took evidence, on 10 March 2014, from the Department for Business, Innovation and Skills and the Department for Communities and Local Government on the setup, performance and management of the four largest new local growth programmes and Local Enterprise Partnerships, the key new strategic bodies. The Committee published its report on 16th May 2014. This is the Government response to the Committee's report.

Background resources

- NAO report: *Funding and structures for local economic growth* - Session 2013-14 (HC 542)
- NAO report: *Progress report on the Regional Growth Fund* - Session 2013-14 (HC 1097)
- PAC report: *Promoting economic growth locally* - Session 2013-14 (HC 1110)

2: Committee of Public Accounts conclusion
Departments face a significant challenge in spending the funds available by the end of 2014-15.

Recommendation:
The departments should do more to ensure that beneficiaries are ready to receive the money and deliver the extra jobs in the timescales envisaged. The departments should also develop an early warning system to identify if local projects are not sufficiently developed to spend the money as planned and provide support or reallocate funds as necessary.

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

2.2 The departments' contracting process for all conditional Regional Growth Fund (RGF) awards includes due diligence carried out by commercial experts before a final award is issued. This assesses whether the outcomes such as expected private sector investment and employment impacts will be delivered. Under the terms of the Grant Offer Letter (GOL), RGF programme beneficiaries must produce a scheme delivery plan that is renewed annually in agreement with the departments on how the award will be delivered, including milestones and key indicators.

2.3 All RGF awards are monitored quarterly against their GOL and additionally for programmes, their scheme delivery plan. Grant payment is dependent on meeting these targets and milestones. The departments use a recognised risk model to identify awards that require escalation for remedial action. The riskiest cases receive specialist support from a dedicated team to improve performance. Escalated cases have increased checks on a weekly or monthly basis. The RGF Programme Board reviews all escalated awards monthly. Where an award is not going to deliver the agreed outputs, resulting in only partial draw down of the grant, the departments will work with the beneficiary to revise their project milestones or scheme delivery plan accordingly. This is formally captured through a variation in the GOL and may include a reduction or withdrawal of funding. In some cases, this will require use of the GOL clawback clauses.

2.4 Departments recognise the challenges presented by the 2014-15 spending target and are monitoring closely whether beneficiaries will deliver the jobs and private sector investment against which they will drawdown RGF funding. The departments have already carried out an in-depth review to identify additional support required to support delivery, to be repeated at mid-year.

3: Committee of Public Accounts conclusion
Too much money is still parked with intermediary bodies over which the departments are not exerting enough control.

Recommendation:
For any initiative which distributes money through intermediaries, the departments should introduce binding milestones into future contracts and agreements for distributing funds. The departments should also move quickly to claw back money not being spent or spent disproportionately on administration and redistribute it to better performers.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 For the Regional Growth Fund, all Grant Offer Letters (GOL) have binding expenditure and output targets, which beneficiaries must achieve before monies are paid. For RGF programmes, this is augmented with an annual scheme delivery plan on how the award will be delivered against key milestones and performance indicators. All award beneficiaries must submit an independent accountant's report annually to verify compliance with their GOL, validate expenditure, RGF grant claims and outputs on the previous twelve months.

3.3 The departments have a range of tools that can be deployed quickly to tackle underperformance. This includes giving intermediaries support from in-house specialists to identify and tackle underlying issues. The GOLs can be formally varied to reflect revised delivery profiles. As a last resort, there is provision in the GOLs to clawback monies, including administration costs. The departments are using their clawback framework to ensure consistency and value for money in relation to a small number of current awards. If monies are clawed back, this will be recycled into the RGF budget and made available for use by other projects and programmes.

3.4 RGF GOLs allow up to 5% of the total value of programmes to support the management of grants. The departments agree the level of administration costs that is reasonable based on an assessment of the complexity of the scheme and existing management capability. In exceptional circumstances, the department may allow more than 5% to be claimed. Conversely some programmes choose not to claim any administration costs. Departments are considering the approach for Growth Deals, which will take account of local accountabilities.

4: Committee of Public Accounts conclusion
Progress in creating jobs is falling well short of the departments' initial expectations.

Recommendation:
The departments should scrutinise thoroughly any forecasts of the jobs its schemes will create before presenting them to Parliament and the public.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 All conditional Regional Growth Fund (RGF) awards go through a rigorous due diligence process, which assesses the deliverability of the outputs being contracted. These due diligence reports are reviewed by commercial specialists. This provides the departments with assurance that the forecasted job outputs are realistic and achievable. The jobs forecasts are reviewed on a quarterly basis and, where necessary, are adjusted to account for change in the scope of projects or programmes with commensurate adjustments to the grant payment if merited. This ensures that the departments have a reliable jobs forecast at any one time. The departments report jobs figures for the RGF through its Annual Monitoring report (AMR). This sets out in detail, how many jobs have been delivered against that which was initially contracted (and announced). The next AMR will be published in summer 2014.

4.3 The Government has not set targets for the Enterprise Zone programme. The 54,000 jobs figure in the report was based on initial estimates by local enterprise partnerships in 2011. Since then, Zones have revised their delivery ambitions in the light of tough market conditions. In determining awards of Local Growth Fund through Growth Deals, forecast outputs provided by Local Enterprise Partnerships, including jobs, have been reviewed as part of the assessment of Local Enterprise Partnerships' strategic economic plans. Under the terms of the Growth Deal, output commitments are the responsibility of the LEPs and local partners, who will be accountable for delivering on those commitments. These will be monitored both locally and nationally.

5: Committee of Public Accounts conclusion
The departments were too slow to put in place management arrangements to develop and coordinate the new structures and funds for promoting local economic growth

Recommendation:
The departments should set out how they will use their new governance arrangements to take investment decisions across the portfolio of local growth initiatives and ensure value for money.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 The Spending Review process and other fiscal events led by the Treasury determine overarching local growth funding, taking account of the relative VFM across programmes.

5.3 The Government has strengthened joint working and programme governance. The Local Growth Committee oversees the local growth policy and takes the final decisions on investments across all the schemes. A joint local growth team has been established bringing together teams from the Department for Business, Innovation and Skills; the Department for Communities and Local Government; and Cabinet Office. The Director of Cities and Local Growth is the SRO for Growth Deals and chairs the Growth Deal Programme Board, which is attended by officials across Government. All individual programmes have their own Programme Boards, also with representation from across Government. The Local Growth Strategy Board ensures connections are made across these programmes. There is close liaison and joint working between the teams.

5.4 At a local level, LEPs have been asked to set out in their Strategic Economic Plans, their governance arrangements for making investment decisions (through LEP investment boards or similar structures.) Having appropriate investment decision-making and governance in place will be a condition of Growth Deals and these factors have also been key components of assessment criteria.

6: Committee of Public Accounts conclusion
The departments have been slow to develop plans for evaluating local growth schemes and their monitoring data do not allow them to compare schemes' performance robustly.

Recommendation:
The departments should develop their monitoring systems so that they can distinguish the impact of individual schemes, make informed value for money judgements across the portfolio of initiatives in the short term, and should develop plans to evaluate the portfolio of initiatives over the longer term.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 The department is working with enterprise zones to improve the accuracy and consistency of the quarterly data monitoring returns. Growth Deals will include monitoring and reporting requirements for implementation, which reflect the important context of local accountability. Departments are planning to define (by end 2014) a common set of core metrics, which will aid comparison across places. However, it is important that the level of comparison is limited when interventions vary so much in terms of their outputs (for example: transport and skills) and it is important to balance the standardised data with relevance of data.

6.3 By April 2015, departments will have plans in place for the evaluation of each scheme, where appropriate, although this will not be universal. An over-arching evaluation, based on a single common framework, would not give robust results, nor be good use of public funding.

6.4 As part of its overall evaluation strategy for RGF, the department commissioned an independent scoping study of impact and economic evaluation options, which recently reported. The recommendations from this study provide a robust framework for undertaking a final evaluation of the RGF, 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.

7: Committee of Public Accounts conclusion

The local growth fund is an opportunity to improve the strategic oversight of funding to support local economic growth.

Recommendation:

The departments need to learn lessons from the current programme and adopt a more coordinated and strategic approach when introducing the new growth deals next year, including setting out the basis for how the programme will be monitored and evaluated, and what action they will take if performance falls short. The departments should also set out clearly the information that they expect LEPs to publish, covering their own funding and structures, as well as data to enable comparisons of their impact.

7.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

7.2 Through the Growth Deal agreed with each Local Enterprise Partnership, departments will set out requirements on LEPs in respect of their governance, their monitoring and evaluation arrangements and their published information to ensure transparency and accountability to their stakeholders and communities. This open data will also enable evaluation by third parties. Departments will also set out the LEP reporting requirements, so that progress in the implementation of Growth Deals can be monitored and action taken to provide support or address poor progress and performance.

7.3 The Growth Deal evaluation approach will be comprised of highly focused evaluations at the individual intervention level. The *What Works Centre* (WWC), established in September 2013, is synthesising the existing evaluation evidence base for local economic growth interventions and will give decision-makers (local and national) a much clearer understanding of the returns on interventions. WWC will also disseminate best practice in the generation and application of such evidence.

ISBN 978-1-4741-0885-0