HM Treasury

Treasury Minutes

Government responses on the Ninth; the Sixteenth and Seventeenth; and the Nineteenth to the Twentieth reports from the Committee of Public Accounts: Session 2014-15; and progress on Government Cash Management

Cm8988

December 2014

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Government responses on the Ninth; the Sixteenth and Seventeenth; and the Nineteenth to the Twentieth reports from the Committee of Public Accounts: Session 2014-15; and progress on Government Cash Management

9th Report:	Whistleblowing
16th Report:	Early contracts for renewable electricity
17th Report:	Child Maintenance 2012 Scheme: early progress
19th Report:	Centre of Government
20th Report:	Reforming the UK border and immigration system

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

December 2014

Cm8988

TREASURY MINUTES DATED 17 DECEMBER 2014 ON THE NINTH; THE SIXTEENTH AND SEVENTEENTH; AND THE NINETEENTH TO THE TWENTIETH REPORTS FROM THE COMMITTEE OF PUBLIC ACCOUNTS: SESSION 2014-15; AND PROGRESS ON GOVERNMENT CASH MANAGEMENT.

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Ninth Report of Session 2014-15

Cabinet Office

Whistleblowing

1: Committee of Public Accounts conclusion

Whistleblowing is when an employee raises a concern about wrongdoing, malpractice or poor practice in the workplace that has a public interest aspect to it. Whistleblowers mostly act because they have ethical or professional concerns about what is happening in their workplace. The Committee has seen these concerns raised across the spectrum of the public realm, from tax collection to the quality of health and social care to the roll-out of rural broadband. Careful and appropriate treatment of whistleblowers is important to protect and reassure the workforce, and to encourage openness that is vital to supporting better public services. Whistleblowing has become much more high profile in recent years, as well-publicised cases such as Hillsborough and the Mid Staffordshire NHS Foundation Trust inquiry have shown.

1.1 On the basis of a report by the NAO, the Committee took evidence, on 24 March 2014 and 12 May 2014, from HM Revenue and Customs; Ministry of Defence, Department for Education; and Department of Health on whistleblowing. The Committee published its report on 1 August 2014. This is the Government response to the Committees report.

Background resources

- NAO report: *Making a whistleblowing policy work* - Session 2013-14 (HC 1152)
- PAC report: *Whistleblowing* - Session 2013-14 (HC 593)

2: Committee of Public Accounts conclusion

The treatment of some whistleblowers has been shocking and departments have sometimes failed to protect some whistleblowers from being victimised.

Recommendation:

Where the identity of whistleblowers is known, departments must ensure that they are protected, supported and have their welfare monitored. This should include:

- ***Ownership from the top by assigning a board member who is accountable for the proper treatment of whistleblowers;***
- ***Providing whistleblowers with appropriate support and advice, such as access to legal and counselling services; and***
- ***Appropriate and swift sanctions against employees, at all levels in the organisation, if they victimise whistleblowers.***

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2015.

2.2 The Government believes that employees should be able to raise issues and concerns, and that they can do so in a supportive and protective environment. All staff should feel comfortable that they can raise concerns without fear that they will suffer detriment or victimisation. Departments, drawing on central guidance, issue guidance to their staff on the processes for raising issues and concerns. This includes guidance on supporting individual whistleblowers, which includes access to counselling services and legal support where appropriate. Departments should investigate complaints of whistleblowers being victimised. The Cabinet Office guidance will be updated to reflect this.

2.3 The Government believes that HR Directors should have overall responsibility within departments for whistleblowing practices, reporting to the Permanent Secretary. HR Directors should report on a regular basis to their departmental board (including to Ministers, senior officials and non-executive directors) on how whistleblowing processes are operating in their department and on any lessons or improvements that can be made to the whistleblowing process and to wider systemic issues arising from complaints.

2.4 Under the Civil Service Code, civil servants can also raise a complaint directly with the independent Civil Service Commission. Each department has nominated officers who can help advise and support a member of staff if they have a concern.

3: Committee of Public Accounts conclusion

Whistleblowers are often unclear who best to raise their concerns with.

Recommendation:

Departments should provide all employees with a route map that clarifies suitable internal and external reporting routes. This should be replicated through the delivery system with clear obligations on private and third sector providers delivering public services that they must employ strong and effective whistleblowing policies.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 The Cabinet Office whistleblowing guidance includes detailed procedures about how to raise concerns, including route maps for reporting. Non-departmental public bodies (NDPB) and other arm's length bodies (ALBs) are expected to implement this best practice. A number of departments have updated their whistleblowing guidance following the NAO reviews. The Department for Education, for example, has enhanced its website to contain comprehensive guidance for schools and children's services employees on whistleblowing and how to make a complaint.

3.3 In relation to private and third sector providers, the Government expects its providers, as good employers, to have effective whistleblowing policies and procedures in place, reflecting good management practice as well as the Public Interest Disclosure Act 1998. For example: the Ministry of Justice operates contracts with prison service third party providers, which place clear responsibilities on the provider and include references to relevant guidelines, legislation and policies.

3.4 Whistleblowing arrangements across the NHS are currently being considered separately through the Francis '*Freedom to Speak Up*' Review.

3.5 The Home Office has commissioned a single national policy for police forces on whistleblowing to ensure a clear and consistent approach, and will consult on further proposals to strengthen protection for police whistleblowers later this year.

4: Committee of Public Accounts conclusion

There is a lack of transparency on how departments address concerns raised by whistleblowers.

Recommendation:

Departments should:

- ***Have clear arrangements for reporting back in a timely fashion to whistleblowers on how their concerns have been addressed;***
- ***Publicise to their workforce and tell the whistleblower about changes they have made to processes and policies as a result of whistleblowing; and***
- ***Report on the effectiveness of whistleblowing arrangements in their governance statements in their Annual Report and Accounts.***

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: 2015.

4.2 The Government agrees that departments should provide clear timescales for reporting back in a timely fashion to whistleblowers on how their complaint is progressing, and how their concerns have been addressed. The current guidance states that departments should respond to individuals in a timely fashion, and that they should set specific timescales for providing the whistleblower with feedback on the issues raised and how their concerns have been addressed.

4.3 The Government agrees that departments should comment on the effectiveness of their whistleblowing arrangements in their Annual Report and Accounts, The Treasury will update their guidance accordingly. NDPBs and other ALBs should follow this best practice.

5: Committee of Public Accounts conclusion

There is a startling disconnect between the generally good quality of whistleblowing policies in theory and how arrangements actually work in practice.

Recommendation:

Departments should assess whether whistleblowing arrangements are effective by making better use of currently available measures, such as the civil service survey, and introducing others, such as trends in the number of whistleblowing cases and the timeliness of investigations. Departments should also consider how they can enhance their support for whistleblowers, looking for instance at measures like tracking employment skills and career progression and asking whistleblowers about their views on the whistleblowing process.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: 2015.

5.2 The Government agrees that the Civil Service People Survey is one of a number of tools to assess whether whistleblowing policies and practices are working effectively and known within individual departments. The Government is pleased that awareness and understanding of the complaints procedure has produced positive and steadily improving responses since the survey began. However, it is not complacent and will continue to monitor and analyse these results, learn lessons and update processes.

5.3 Trend analysis of complaints and whistleblowing is encouraged. Many departments already use this to provide them with feedback on problems and possible systemic issues. Departments should monitor information on complaints and whistleblowing and should escalate any concerns to their Departmental Audit and Risk Assurance Committee for consideration. This is an example of good practice, which the Government expects to see implemented in all departments. The Cabinet Office guidance will be updated to reflect this.

5.4 The Government recognises that whistleblowers require support through the entire process of making a complaint. Whistleblowers need to know that their concerns have been registered and acted upon. Cabinet Office guidance will be updated to reflect this aspect of consultation.

6: Committee of Public Accounts conclusion

Whistleblowers can help organisations identify systemic issues, but departments are not exploiting this intelligence.

Recommendation:

Departments should collect and apply intelligence on concerns raised by whistleblowers from the full range of arm's length bodies and other providers involved in their sectors. They should use and analyse the data to identify any systemic issues.

6.1 The Government disagrees with the Committee's recommendation.

6.2 The Government encourages ALBs and third sector providers to have effective whistleblowing policies, but it cannot commit to monitoring of providers and collection of data at a more local level, which would involve a level of administration for departments that would not be proportionate or effective. It is the responsibility of other parts of the public and private sectors to establish similar arrangements. The Government is currently consulting on placing a statutory duty on prescribed bodies to publish data on whistleblowing cases.

7: Committee of Public Accounts conclusion
The lack of cross-government leadership has led to inconsistency in whistleblowing arrangements.

Recommendation:
The Cabinet Office should set out how it will ensure whistleblowing policy and practices receive the strong leadership they need, so that there are consistent expectations across government and departments can be held to account.

7.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

7.2 The Government agrees that strong departmental leadership is required in this area to reinforce behaviours which support whistleblowing. HR Directors should have overall responsibility within departments for whistleblowing practices, reporting to the Permanent Secretary. There should be regular reporting to departmental boards on the effectiveness of the department's whistleblowing policies and on any systemic problems identified in the organisation that have emerged as a result of trend analysis as well as the actions being taken by the department. The Cabinet Office guidance will be updated to reflect these processes.

7.3 The Civil Service Board recently set up a senior 'Task and Finish' group to look at whistleblowing across Whitehall, including departmental leadership, in the context that there are variations in processes between departments. This group was chaired by the Permanent Secretary of the Ministry of Defence. As a result of these discussions, the Cabinet Office will be reminding all departments of their responsibilities in this area and ensure that they are fully engaged.

8: Committee of Public Accounts recommendation

The Committee reiterates its previous recommendation that public sector organisations should secure approval from the Cabinet Office for all special severance payments, and associated compromise agreements, where they relate to whistleblowing. The Committee expects to see this included in the Cabinet Office guidance.

8.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2015.

8.2 The Cabinet Office guidance on the use of Settlement Agreements, Special Severance Payments and Confidentiality Clauses on Termination of Employment will make it clear that confidentiality clauses should not seek to stifle or discourage employees from raising concerns with a regulatory or other statutory body about wrongdoing or poor practice in their department. Nor should settlement agreements be used to terminate a person's employment because they have made a protected disclosure under the Employment Rights Act 1996 (whistleblowing).

8.3 The guidance will be published shortly and will give Ministers a role to approve the use of use of confidentiality clauses in settlement agreements where they meet certain criteria. It will also include standard wording on confidentiality clauses making it clear that no provision in the agreement or undertaking can prevent the individual from making a protected disclosure.

Sixteenth Report

Department of Energy and Climate Change

Early contracts for renewable electricity

1: Committee of Public Accounts conclusion

In April 2014, the department announced the award of contracts to eight renewable electricity projects under an early version of the new 'Contracts for Difference' scheme. Under the new scheme, the department fixes the price which renewable electricity generators can receive for each unit of electricity they produce (known as the 'strike price'). A newly formed 'Counterparty Body' will pay generators the difference between the market price and the strike price for the electricity they generate, where the strike price is higher. If the market price is higher than the strike price, generators will pay the difference to the Counterparty Body. The Counterparty recoups its costs from energy suppliers who in turn may pass on the cost to consumers, so the consumer picks up the bill.

This scheme is replacing one which requires electricity suppliers to pay for Renewables Obligation Certificates which give renewable generators a premium over the wholesale price for each unit of electricity they supply, as the government's main method for supporting new renewable electricity generation. The department awarded these eight early contracts to reduce the risk of a delay in investment in renewable electricity projects during the transition to the new scheme. Two of the contracts are for power plants converted from burning coal to biomass, five are for offshore wind farms and one is for a purpose built biomass plant providing heat as well as power.

1.1 On the basis of a report by the Comptroller and Auditor General, the Committee took evidence, on 2 July 2014, from the Department of Energy and Climate Change (the Department) on early contracts for renewable electricity. The Committee published its report on 3 October 2014. This is the Government response to the Committee's report.

Background resources

- NAO report: *Early contracts for renewable electricity* - Session 2014-15 (HC 172)
- PAC report: *Early contracts for renewable electricity* - Session 2014-15 (HC 454)

2: Committee of Public Accounts conclusion:

The Committee is not satisfied that sufficient consideration was given to securing value for consumers during the transition from the existing arrangements to the new scheme.

Recommendation:

Before embarking on future major reforms, the department should consider fully its options for managing the process of transition, weighing up the impact on value for money of different types of transitional arrangements with different scales and durations.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2015.

2.2 The department already considers fully the options for managing the process of transition before embarking on major reforms. In the case of the Final Investment Decision (FID) Enabling for Renewables process, the department decided that this was the right mechanism to put in place to avert an investment hiatus whilst the enduring Contract for Difference (CFD) regime was implemented as part of Electricity Market Reform (EMR). The FID Enabling for Renewables process provided proof of concept of the CFD and the department has been able to move to competitive allocation of CFDs faster than it ever thought possible. The first competitively allocated CFDs will now be awarded in the first quarter of 2015.

2.3 The department's consideration of different options is supported by the business case process using the five case model. Business case guidance is being strengthened further (as part of a broader refresh of project and programme management tools in December 2014) to ensure delivery and transition options are fully considered as part of options analysis. New in-house training on business case development is also being developed which will cover the consideration of delivery and transition options. The department expects the new guidance and training to be fully implemented by spring 2015.

3: Committee of Public Accounts conclusion:
Most of the budget available for contracts to be awarded under the new arrangements through price competition has already been spent on the early contracts awarded without price competition.

Recommendation:
The department must now seek to award the remaining funds using price competition.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 The move from the Renewables Obligation to the CFD will provide better value for consumers. The length of support is shorter, the hurdle rates are lower and the department can control the amount of support and the number of projects.

3.3 The FID Enabling for Renewables process had a number of competitive elements, but a price-based competition would not have been effective given the uncertainty regarding final contract terms and legislation when the process commenced in March 2013. The department has made clear that it is moving to competition for the first round of CFDs due to be awarded in the first quarter of 2015. This includes competition for both established technologies, such as onshore wind and large-scale solar PV, and for less established technologies such as offshore wind.

3.4 The department is confident that the award of early contracts through FID Enabling for Renewables played a crucial role in enabling the transition to competition into the full CFD regime on a much faster timescale than originally envisaged.

4: Committee of Public Accounts conclusion:
The department had no detailed knowledge and understanding of the developers' costs and estimates. They were too ready to accept arguments put forward by project developers that consumers should bear the risk of inflation in the prices they paid. The department did not robustly challenge developers who claimed investment would be deferred if the contractors bore more of the risk of inflation. The department also failed to challenge developers' claims that investors would not come forward if contracts were designed to ensure that consumers shared in higher than expected profits.

Recommendation:
For future Contracts for Difference, the department should ensure it requires information from project developers on projects' costs and returns and include contract clauses to allow in the opportunity to claw-back for consumers a share of any excessive profits.

4.1 The Government disagrees with the Committee's recommendation.

4.2 There is a clear distinction between bilaterally negotiated projects where project-based information is available, and contracts allocated through competitive allocation where there is external pressure on price. Future allocation of CFDs will primarily be based on competitive auction on strike price. Competitive pressure for allocation will drive bidders to consider potential gains through refinancing or other possible cost savings when bidding. Consequently bidders are incentivised to bid aggressively in order to be allocated a contract and then to pursue cost reductions to generate their internal rate of return (which will in turn contribute to cost reduction in renewable technologies).

4.3 The CFD design includes clawback when the reference price exceeds the strike price, which with the competitive auction, avoids excessive returns. The department carefully considered including gainshare in the CFD but determined that it would increase the administrative burden for all parties and lead to bidders bidding in higher strike prices to compensate for potential gainshare. Furthermore, detailed individual project information would be required and managing such arrangements would be a significant task akin to that of a formal regulatory body.

4.4 The Low Carbon Contracts Company (LCCC) is staffed to ensure contracts are effectively managed but to add in the resource to regulate individual project returns for all contracts, even those competitively allocated, would significantly increase required resources without assurance of better value for money.

4.5 The department is committed to evaluating the current allocation round to assess how competition delivers value for money and will consider changes required. In addition, the Government will consider including gain share mechanisms in contracts for any future projects for which there is bilateral negotiation of CFD terms.

5: Committee of Public Accounts conclusion:
The department awarded these contracts without clearly identifying how much capacity it needed from each technology to keep on track to meet its strategic objectives.

Recommendation:
The department should ensure its future decisions on the budgets for support for different technologies and its process of allocating contracts are based on a clear understanding of how best to achieve the balance of technologies required to meet its strategic objectives at least cost for consumers. In the event of a capacity crunch clearly consumers will end up paying more.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 The department's decisions on how to allocate budget for different technologies will be based on a range of factors, in particular the EMR objectives of supporting decarbonisation and maintaining security of supply at a fair price for consumers.

5.3 For future CFD allocation rounds the department has split the budget between three technology groupings or "pots" – one for "established" technologies such as onshore wind and solar; one for "less established" technologies such as offshore wind; and one for biomass conversions. This is intended to ensure that the department can enable continued deployment of the lowest cost renewable technologies while also driving cost reductions in less established technologies, enabling those technologies to become better value for money over time and reduce the long-term costs of decarbonisation. The long-term objective is to move to a fully technology-neutral auction process.

5.4 The Government will be putting in place a Capacity Market which will help to ensure security of supply in the future so that consumers continue to receive reliable electricity supplies at an affordable cost.

6: Committee of Public Accounts conclusion:
The department awarded these early contracts on the basis of wider benefits which it considered outweighed risks to value for money.

Recommendation:
The department should ensure it conducts and publishes a robust evaluation of the actual benefits and costs of this scheme. This evaluation should assess the quantified and unquantified costs and benefits against the department's business case for the scheme and make an evidenced assessment of what it has achieved and whether awarding early contracts has genuinely been worthwhile.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 Evaluation will help to provide evidence on whether EMR schemes, including the FID Enabling for Renewables process, are as efficient and effective as possible and whether the benefits of these schemes are being achieved. The outcomes of the evaluation will help inform future decisions in relation to the delivery of EMR and DECC's policies more broadly.

6.3 Evidence on some of the impacts of the EMR programme and the FID Enabling for Renewables process will only become available over time as generation projects reach commissioning, and therefore the evaluation will be staged to make use of the available evidence. Three evaluation stages are currently envisaged:

- Stage 1: evaluation of the first round of delivery under the EMR programme and the FID Enabling for Renewables process. The Government has commissioned independent contractors to undertake this first evaluation. The department has chosen to evaluate at this early stage in order to capture early lessons for policy-makers, and also to scope the evidence base necessary to address wider impact questions. It is intended that the final report will be available in summer 2015.
- Stage 2 is likely to be a further evaluation of the EMR programme including a review of the institutional framework and is expected to be commissioned to report in Quarter 2 of 2017-18, though timings will depend on consideration of the first evaluation findings.

- Stage 3 will be an impact evaluation of CFDs (including contracts awarded under FID Enabling for Renewables) and the Capacity Market. This is expected to be commissioned to report in 2019-20.

7: Committee of Public Accounts conclusion:
The Government owned Counterparty Body will play a crucial role in protecting consumers' interests.

Recommendation:
The department must ensure the Counterparty Body is wholly independent of the industry and has the skills, resources and information it needs to manage all CfDs effectively and hold it to account for ensure that the interest of consumers are fully protected

7.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

7.2 The LCCC is a company limited by shares solely owned by the Secretary of State for Energy and Climate Change. The Department explored other models such as industry ownership and deemed that these were not appropriate given its role in managing CFDs effectively and raising a tax levy on suppliers.

7.3 The company has duties under the Energy Act 2013 and resulting legislation, and also operates under company law. The department has set the company a guiding principle within its Framework Document that the company shall seek to maintain investor confidence in the CFD regime and minimise costs to consumers.

7.4 The department agrees that the company must have the skills and resources it needs, whilst delivering value for money. The company proposes an operational budget each year to deliver its activities for the forthcoming year, taking into account its guiding principle of minimising costs to consumers. The department scrutinises these costs, consults on them and amends the operational cost levy rate through regulations following the consultation. This consultation ensures transparency of the company's budgets and activities. The consultation on the 2015-16 budget was published on 5 November 2014.

7.5 The 2014-15 budget resulted in the ability to recruit a strong mix of skills into the company, including commercial and contract managers with key experience in relevant sectors of the energy industry.

Seventeenth Report

Department for Work and Pensions

Child Maintenance 2012 Scheme: early progress

Summary from the Committee

The Committee welcomes the progress that the Department for Work and Pensions has made in simplifying the way it administers child maintenance, through the introduction of the first phase of the child maintenance 2012 scheme. The department implemented the scheme carefully in stages, and there is no evidence of the backlogs or IT failings with which previous child maintenance schemes have struggled. However, there remain risks ahead, from the introduction of charging for statutory services, and from closing legacy cases and moving them to the 2012 scheme. Responses to charging are uncertain and the department will need to monitor whether, in practice, parents take up family-based arrangements as planned, rather than rely on state intervention through the department's scheme.

On the basis of a report by the NAO, the Committee took evidence, on 9 July 2014, from the Department for Work and Pensions, Gingerbread, and Resolution Child Support Committee on Child Maintenance 2012 Scheme: Early Progress. The Committee published its report on 10 October 2014. This is the Government response to the Committees report.

Background resources

- NAO report: *Child maintenance 2012 scheme: early progress* - Session 2014-2015 (HC 173)
- PAC report: *Child maintenance 2012 scheme: early progress* - Session 2014-2015 (HC 455)

1: Committee of Public Accounts conclusion:
The good practice evident in the way the department designed and introduced the first phase of the 2012 scheme reflected lessons learned from previous programmes.

Recommendation:
The department should evaluate the introduction of Phase 1, in particular the roll-out and pathfinder approach, to identify good practice to apply when planning future programmes and share this more widely in the public sector.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2015.

1.2 The department has agreed processes in place to share experience and best practice across the departments change portfolio. In addition, the Senior Responsible Owner and the Programme Director from the Child Maintenance 2012 Scheme Programme have recently facilitated master classes for all programmes to share the lessons from the Child Maintenance 2012 Scheme programme.

1.3 The department will also share learning through workshops with all Programme Management Office functions and support the introduction of a standardised set of reporting data and embed good practice and lessons learned. This activity is planned to complete by late January 2015.

1.4 The department regularly meets with representatives from the Major Projects Authority, NAO and the Treasury to discuss emerging themes from key assurance activity. Lessons learnt from across the department's Change Portfolio are electronically shared bi-monthly with the wider public sector including HM Revenue and Customs, and Department for Transport.

2: Committee of Public Accounts conclusion:
The department has had stable senior leadership of the 2012 scheme.

Recommendation:
The department should ensure that major programmes have resilient and stable leadership teams in place from the development stage, who have the insight to make critical judgements about programmes.

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

2.2 The department's Executive Team has reviewed all its programmes, and the SRO and Programme Director / Manager Roles and Accountabilities. As a result, some changes were made to strengthen the leadership teams in place and to ensure succession plans are in place.

2.3 The department requires all leaders to take part in the Major Projects Leadership Academy, become accredited Major Project reviewers and to lead or participate in reviews for other Government departments and wider public sector as part of their personal development.

3: Committee of Public Accounts conclusion:
The impact that charging to use the statutory service will have on the number of parents willing to adopt family-based arrangements instead is uncertain.

Recommendation:
The department should monitor closely the number of parents that choose family-based arrangements, following the introduction of charging for the statutory scheme, and maintain regular contact with groups supporting families to determine whether changes are needed to improve the support available to parents.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2017.

3.2 The department carries out quarterly surveys of all parents who contact the Child Maintenance Options service to understand what arrangements, if any, they have made, including family-based arrangements. The department will further validate this in a 'longitudinal' survey after 12 months to identify if the family-based arrangement remains in place. The department will also draw on the results of the Understanding Society survey (an academic study that captures important information every year about the social and economic circumstances and attitudes of people living in the UK) which will be made available in 2016. This survey will allow the department to look at separated parents who are not in touch with its services and will give an indication of the type and extent of child maintenance arrangements in the wider population.

3.3 The department also meets regularly with organisations that support separated families to understand what clients are doing, and provide these valuable intermediaries with the right tools and support to help our mutual clients. The department has also made a commitment in the Welfare Reform Act 2012 to review charging within 30 months of its introduction and to lay a report on the review and the Government's conclusions before Parliament.

4: Committee of Public Accounts conclusion:
The first phase of the scheme was over budget and late, but it has produced results that are close to the expected performance levels.

Recommendation:
The department should monitor and manage performance of the scheme, to ensure effective control of operational costs, delivery of planned savings, and achievement of expected levels of accuracy and productivity.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The department has an effective governance in place to monitor and manage the 2012 Scheme Programme. Fortnightly, the Child Maintenance Group Executive Team reviews 2012 Scheme Performance, including a detailed review of intake, caseload, compliance, productivity and accuracy. On a bi-monthly basis, the Child Maintenance Group Programme Board assures the integrity of the business case, including benefit profiles, monitoring progress against the programme plan and financial forecasts.

4.3 In September 2014, the department published statistics on the 2012 Scheme. These experimental statistics covered August 2013 to August 2014 and are still in the early stages of development and assurance. Some of the statistics are currently collated manually, by accessing core systems. When system data becomes available and is fully assured, statistics will be released as part of a managed process - in line with the Code of Practice for Official Statistics.

5: Committee of Public Accounts conclusion:
Delays in setting up the 'data warehouse', required to close the legacy cases from the previous systems, have resulted in increased costs to the department.

Recommendation:
The department should be transparent about the progress of case closure, ensure that it has the necessary systems in place by the time it closes complex cases, and monitor the performance of its contingency arrangements in the meantime.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: August 2016.

5.2 A scheme that accompanied the Child Maintenance (Ending Liability in Existing Cases and Transition to New Calculation Rules) Regulations 2014, provided timing and information relating to the closure of 1993 and 2003 scheme cases. A national media campaign was launched in September 2014 to help inform Child Support Agency clients that their cases will close over the next three years. Case closure was implemented using a pathfinder approach, to test systems, processes and capability, and monitor initial client responses before selecting larger volumes of cases.

5.3 Required systems were developed and in place to enable the department to go live with Segment 1 (nil assessed cases) pathfinder on 30 June 2014, with full volume ramp-up from September 2014. The department continues to monitor client contact; to date client responses are lower than anticipated. The department has agreed to extend the use of contingency arrangements for Segments 2, 3 and 4, including changes to the legacy systems to enable automated selection of cases. The client journey for Segment 5 (Enforcement cases) is currently being developed, and this will help identify future system requirements.

Nineteenth Report

Cabinet Office / HM Treasury

Centre of Government

1: Committee of Public Accounts conclusion

The centre of Government comprises the Cabinet Office, HM Treasury and Number 10. Together, these central bodies are responsible for coordinating and overseeing the work of government as a whole, to help government achieve its aims and priorities. The centre also works with departments to improve the efficiency and effectiveness of their operations, for example by providing direction on making cost savings, standards for financial management and reporting, and assurance over the delivery of major projects.

1.1 On the basis of a report by the Comptroller and Auditor General, the Committee took evidence on 7 July 2014 from the Cabinet Secretary, the Head of the Civil Service, and the Permanent Secretaries of the Cabinet Office and the Treasury on the centre of government. The Committee published its report on 22 October. This is the Government response to the Committee's report.

Background resources

- NAO report: *The centre of government* - Session 2014-15 (HC 171)
- PAC report: *The centre of government* - Session 2014-15 (HC 107)

2: Committee of Public Accounts conclusion:

The current lack of clarity about the precise role and responsibilities of the centre jeopardises Government's ability to deliver value for money in key public spending areas.

Recommendations:

The Permanent Secretaries' statement on the centre should set out: the role of the centre as one integrated capability; the respective roles and responsibilities of the Cabinet Office, the Treasury and Number 10; how these three bodies work together; and how the centre works with other central Government departments. As a starting point, they should use the suggested responsibilities of the centre set out in the C&AG's report.

2.1 The Government agrees with the Committee's recommendations.

Recommendation implemented.

2.3 A letter[1] to the Committee from Sir Jeremy Heywood (Cabinet Secretary and Head of the Civil Service), John Manzoni (Chief Executive of the Civil Service), Sir Nicholas Macpherson (Permanent Secretary to the Treasury) and Richard Heaton (Permanent Secretary to the Cabinet Office) setting out the role of the centre was sent to the Committee on 25 November 2014.

2.3 This letter groups the work of the centre into five key roles:

- serving the Prime Minister and Deputy Prime Minister (PM and DPM);
- providing support on cross-government strategy;
- supporting Ministers on business planning and resource allocation decisions;
- monitoring and assuring the implementation of the Government's programme; and
- providing corporate leadership for the broader Civil Service.

[1] Annex A

3: Committee of Public Accounts conclusion:
The centre is not working effectively with departments to maintain a focus on timely implementation of cross-government priorities.

Recommendation:
The centre should set out how it will improve performance management and incentives, to ensure that departments deliver cross-government priorities successfully and within the intended timescales.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2015.

3.2 The Chief Executive of the Civil Service is responsible and accountable for designing and driving coherent and effective corporate functions at the centre. Through leadership of the corporate functions, the Chief Executive will drive the Government's ambitious operational delivery and reform programmes, working with the Treasury and Government departments to ensure that business plans maximise the efficient use of allocated resources.

3.3 The Heads of Function have a cross-cutting responsibility for running their expert functions, taking a lead role in recruiting talent and raising standards. The centre operates spending controls, which are crucial for the corporate functions to implement cross-government strategies. A strengthened functional leadership model will help consolidate the way in which the centre works with departments to improve performance and delivery, and ensure that appropriate incentives are in place. This will help make the Civil Service more resilient and the business of Government more efficient.

4: Committee of Public Accounts conclusion:
The centre does not intervene early enough to prevent major departmental projects and programmes from failing.

Recommendation 4a:
The centre should draw together its strands of intelligence to form an integrated, single view of strategic risks. Where such risks are identified, the centre needs to robustly challenge departments, intervening earlier and more effectively to prevent project failure.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2015**.**

4.2 The Chief Executive of the Civil Service's Functional Leadership model will improve the centre's ability to identify early where action may be required to prevent major departmental projects or programmes from failing and facilitate intervention as necessary. For example, by creating greater functional alignment across government, the Functional Leadership model will draw together strands of intelligence from across the Major Projects Authority, Infrastructure UK, the Implementation Unit, and the Government Internal Audit Agency. This will help to identify key delivery risks and enable more flexible deployment of specialist resource to address those risks (for example, commercial specialists from the Complex Transactions Team in the Crown Commercial Service).

4.3 The MPA is considering how to further enhance strategic oversight across the Government Major Projects Portfolio at the aggregate level.

Recommendation 4b:
The centre should explain how it will ensure that lessons from past experience are properly considered when planning new projects.

4.4 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2015.

4.5 The Government is taking action to ensure that lessons from past experience are brought to bear when planning new projects.

4.6 **Guidance:** for example, Infrastructure UK's revised Project Initiation Routemap, published in 2014, provides a framework to help public sector organisations identify and address common problems that occur during early stages of projects.

4.7 **Assurance:** for example, the Major Projects Authority's project validation reviews at the outset of a new project are now a consistent part of the major project review process. These allow MPA to engage with departments early, so that specialist knowledge and past experience can be brought to bear on projects at the planning stage.

4.8 **Establishing professional standards and building capability:** through the Functional Leadership model, functions will play a central role in building capability in key operational areas both at the centre and within departments, setting professional standards and delivering greater consistency of quality and of approach. The Major Projects Leadership Academy and the Project Leadership Programme provide another important mechanism for sharing learning from past experience.

4.9 **Building corporate memory:** MPA monitor and challenge turnover of project SROs and have developed guidance to minimise turnover. From April 2013, a Pivotal Role Allowance has been available to departments to retain key skills and those responsible for delivering the most important and complex projects across Government.

5: Committee of Public Accounts conclusion:
Key specialist skills are in short supply and are not distributed effectively between departments and the centre.

Recommendation 5a:
The centre should clarify what is the right balance between the skills and expertise that should reside in departments, and specialist capability that should be located centrally and deployed flexibly across departments when required (for example, when a major contract is being negotiated by a smaller department).

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2015.

5.2 Under the Chief Executive of the Civil Service's functional leadership model, the Heads of Function will have clearly defined roles in managing talent and building capability within their function. This includes controlling recruitment, deployment, setting career pathways and the learning curricula for their profession. The balance between skills and expertise that sit at the centre and in departments will depend on the operating model for each function. This will be decided by the Head of each function and will ensure that expertise is managed and coordinated effectively.

5.3 **Commercial:** the Chief Commercial Officer has established a central recruitment hub, which provides a specialist Whitehall-wide service to attract and deploy talent into the commercial profession. In its first campaign, 40 senior vacancies were filled across 6 government departments, with 68% of successful candidates from the private sector.

5.4 **Digital:** the Government Digital Service (GDS) has established a central recruitment hub to support departments in attracting the right people to technology and digital leadership roles across government. To date the hub has secured 70 external hires and is currently working with departments to fill nearly 100 positions over the coming months.

5.5 **Projects:** in 2012, the Government established the world leading Major Projects Leadership Academy (MPLA) in partnership with the Saïd Business School at the University of Oxford. The objective is that all eligible leaders of Government major projects will have started or completed the programme by the end of 2014, by when there will have been over 300 participants. The Government's aspiration is that no civil servant will lead a major project without first qualifying from this academy. The Government plans to supplement the MPLA with a new programme for those below SCS to ensure that civil servants at all levels are developing delivery expertise, through the Projects Leadership Programme.

Recommendation 5b:
The centre should, in its financial management review implementation plan, set out detail of the concrete actions the Treasury is taking to strengthen the finance function across government, through providing central expertise and helping departments improve their financial capability.

5.6 The Government agrees with the Committee’s recommendation.

Recommendation implemented.

5.7 The Treasury has shared draft implementation plans with both the NAO and the Committee. These implementation plans set out concrete actions required to strengthen the finance function across Government. The Treasury is now working with Government departments to implement these action plans, and where necessary specify more detailed actions.

HM Treasury

Cabinet Office

Rt Hon Mrs Margaret Hodge
Chair, Committee of Public Accounts
House of Commons
7 Millbank
London
SW1P 3JA

25 November 2014

Dear Margaret,

CENTRE OF GOVERNMENT

At the 7 July PAC hearing on the Centre of Government, you asked witnesses to write to the Committee with our view on the role of the centre. This note sets out our response.

In this context, the 'centre of government' means the Cabinet Office, which includes No.10 and the DPMO, and HM Treasury. Together, these departments represent the corporate headquarters of HM Government. Their activities broadly align with those you would find at the head office of any large organisation but their capacity to control the activities of individual departments is constrained to a certain extent by the federal model of Government.

Our shared analysis of the centre of government groups the work into five key roles:

First, the centre of government serves the Prime Minister and Deputy Prime Minister (PM and DPM).[2] A key part of this is the day-to-day direct support provided by the No10 Private Office, No 10 Policy Unit, DPM's Private Office, DPM's Policy Unit and Press Office, along with the Direct Correspondence Unit, Garden Rooms and Duty Clerks. Alongside private office support to the PM and DPM, the Civil Service also gives specialist support to the PM and DPM in a number of areas. This ranges from the advice provided by the Honours Secretariat and the Propriety and Ethics Team to briefings from the Joint Intelligence Organisation.

Separately, the Cabinet Office provides support to the PM and DPM through the Cabinet Secretariats (comprising Economic and Domestic Affairs, National Security, European and Global Issues and Civil Contingencies teams). This involves servicing Cabinet and its sub-committees, resolving differences of view between departments, coordinating and supporting the delivery of key priorities, managing the legislative programme, responding to changes in Machinery of Government and delivering contingency planning and crisis response services. Depending on the PM and DPM's preferences the Secretariat might also provide specific cross-cutting policy advice or leadership in key areas as part of this support role.

Second, the centre provides support on cross-government **strategy**. This can vary depending on the government of the day, and may include long-term and cross-cutting policy work, the incubation of new ideas and methodologies, policy challenge and innovative thinking. The current central strategy role is performed by (for example) Cabinet Office Government Innovation Group, the Horizon Scanning Programme and - with political as well as Civil Service resource - the No10 Policy Unit and the DPM's Research Unit. Cross

[2] The Civil Service support described here must be seen within the context of political and parliamentary support provided outside Civil Service structures

government functional strategy, for example on the execution of cross-government HR policy, is also determined by functions led from the centre by the Chief Executive of the Civil Service.

Third, the centre supports Ministers on **business planning and resource allocation decisions.** The Treasury leads on the overall framework and fiscal events to decide on overall allocation of government resources, working closely with No10, DPMO and the Cabinet Office to ensure that this supports government objectives, and is consistent with economic and fiscal goals. The Treasury provides leadership of financial management across Government as well as the framework that ensures departments use their resources and powers only as Parliament has intended and that revenue is raised and spent within agreed limits. The Treasury also sets the responsibilities for Accounting Officers. The Treasury Officer of Accounts (within the Treasury) also provides guidance to departments and organisations on the high standards of value for money, probity, propriety, regularity expected by Parliament in handling public money.

The Cabinet Office has a role to play in these areas. For example, the Cabinet Office oversees work on business plans across departments, and supported ministers in forming the Programme for Government.

Working closely with the Treasury, the Chief Executive of the Civil Service is responsible and accountable for designing and driving coherent and effective corporate functions at the centre. Through leadership of the corporate functions, the Chief Executive will drive the Government's ambitious operational delivery and reform programmes, including by working with HM Treasury and government departments to ensure that business plans maximise the efficient use of allocated resources.

Fourth, the centre plays a vital role in **monitoring and assuring the implementation of the Government's programme**. This includes activity conducted throughout the policy and implementation cycle to assess progress against agreed goals. The Cabinet Office and the Treasury work closely together to monitor departments' delivery, including through the operation of Treasury spending controls on key programmes, policies and areas of expenditure, collection of Management Information, and through the work of the Major Projects Authority. The Implementation Unit also provides assurance to the PM and DPM that policy is being implemented as planned.

Fifth, and crucially, the centre of government provides **corporate leadership for the broader Civil Service**. The Cabinet Office's Efficiency and Reform Group leads this work to streamline and professionalise cross-government activity and spending in corporate areas. Its work has become increasingly important and has involved initiatives in commercial, digital, estates and projects capability, which have led to savings of £14.3bn for 2013-14 against a 2009-10 baseline. The centre also takes responsibility for unifying the Civil Service, as well as stewardship of the organisation as a whole – both its professional capability and its values. This role is discharged at official level by the Cabinet Secretary and Head of the Civil Service, who is supported by the Chief Executive of the Civil Service. Under its Civil Service Reform Plan, the Government is establishing strong functional leadership across eight areas of corporate capability: Commercial, Human Resources, Property, IT, Communications, Internal Audit, Finance and Legal. All of these functions are being or have been centralised, with all but one (legal) coming into the Cabinet Office or HM Treasury.

Working closely with HM Treasury, the Chief Executive of the Civil Service will exercise functional leadership over, and set the cross government strategy for, several of these areas of corporate capability (Commercial, Human Resources, Property, IT) as well as other key central functions, namely project management, through the Major Projects Authority, shared services and Civil Service reform. All these functions play an important role in building capability at the centre and, crucially, in building up and deploying capability within departments. They set professional standards by which business is carried out (e.g. a digital standard). This ensures consistency of quality and of approach. Improved capability, consistent high standards and better planning help to professionalise implementation. This in itself further improves long-term use of allocated resources and helps drive efficiency.

The five roles of the centre of government (serving the PM and DPM, strategy, business planning and resource allocation, implementation monitoring, and leading the corporate centre) are reasonably constant, although the shape of each might vary from Government to Government or at different points during the economic or political cycle. The prevailing fiscal environment has seen the continuing need for a stronger corporate centre. Most of the roles are led by the Cabinet Office, though HM Treasury is responsible for key resourcing elements. Close collaboration between both departments is therefore crucial so that the centre provides the best possible service to the PM, DPM, Cabinet and government departments.

This letter was signed by Sir Jeremy Heywood (Cabinet Secretary and Head of the Civil Service), John Manzoni (Chief Executive of the Civil Service), Sir Nicholas Macpherson (Permanent Secretary to the Treasury) and Richard Heaton (Permanent Secretary to the Cabinet Office).

Twentieth Report
Home Office
Reforming the UK border and immigration system

1: Committee of Public Accounts conclusion

The decision to break up the Agency was prompted by its troubled history. The Agency's responsibilities for immigration operations were passed to three directorates within the department: UK Visas and Immigration decides on applications to visit and stay in the UK; Immigration Enforcement detects and removes those people who break our immigration laws; and Border Force polices the border. These three directorates, which collectively spend some £1.8 billion per year, are responsible for dealing promptly and effectively with over 100 million people that arrive in the UK each year.

1.1 On the basis of a report by the NAO, the Committee took evidence on 3 September 2014 from the Home Office on progress in reforming the UK border and immigration system. The Committee published its report on 29 October 2014. This is the Government response to the Committee's report.

Background resources

- NAO report: Reforming the UK border and immigration system – Session 2014-15 (HC 445)
- PAC report: Reforming the UK border and immigration system – Session 2014-15 (HC 584)

2: Committee of Public Accounts conclusion:
The department has failed to get a grip on the long-standing problem of asylum backlogs with older cases remaining unresolved and the number of newer cases awaiting a decision increasing.

Recommendation:
The department should ensure it has the right number of staff, with the right skills and the right incentives, to resolve outstanding asylum claims promptly and prevent any new backlogs being created. The department should report back to the Committee in early 2015 on what progress it has made in communicating decisions to all outstanding pre-2007 applicants.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2015.

2.2 The department has worked hard this year to recruit over 200 decision makers, who will assist in helping meet its commitments in reducing the outstanding asylum caseloads. The department aims to decide straightforward claims made before 1 April 2014 by 31 March 2015. Furthermore, it is also aiming to decide new, straightforward claims received after 1 April 2014 within six months. The department is focused on building and retaining a skilled workforce, utilising appropriate reward and recognition arrangements and performance management tools, that will allow it to effectively manage all new asylum intake.

2.3 With regards the work on the pre-2007 cases, the department is on track to deliver its commitment to review and communicate decisions on them by the end of 2014. The department will report back to the Committee early in 2015 on progress made on these cases.

3: Committee of Public Accounts conclusion:
IT limitations mean the department cannot track people through the immigration system, or ensure people with no legal right to remain are removed from the UK.

Recommendation:
The department should, as a matter of urgency, take more steps to identify people that remain in the UK illegally and expedite their removal.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: Summer 2015.

3.2 The department takes seriously the removal of illegal migrants from the UK and regularly reviews how to increase removals. Through the implementation of the Immigration Act, the department is removing incentives for people to stay illegally in the UK, including through restricting access to public services, work and benefits. This includes systematic data sharing with HM Revenue and Customs (HMRC) and the Driver and Vehicle Licensing Agency (DVLA). Data matching with other departments is also taking place under the National Fraud Initiative. From December 2014, all banks and building societies offering a current account will have to check applicants against a database of immigration offenders. From early 2015, proposed marriages and civil partnerships involving a non-EEA national who may gain an immigration advantage will be referred to the Home Office and may be investigated where a sham is suspected.

3.3 The department, through the work of its contractor, Capita, employs a range of methods to contact individuals within the Migration Refusal Pool (MRP). Where Capita is unable to make contact with an individual who has been refused leave, the case is subject to additional and periodic tracing checks, including searches for flight and financial activity information. Where further actionable contact information is obtained, attempts at further contact are made. The MRP has continued to reduce in size and by June 2014 stood at just over 173,500 records, its lowest point since March 2012. The published MRP is not a backlog or a list of over stayers waiting to be removed. It details all individuals who have received a negative migration decision since December 2008. New cases flow in and out of the pool weekly.

4: Committee of Public Accounts conclusion:
The department lacks good quality data on cases, preventing it from efficiently managing the backlogs and the overall workload, and hindering effective accountability.

Recommendation:
The department should immediately take steps to improve the quality of the data it collects and holds through cleansing and regular sample checks, and improve the presentation and clarity of data.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2015.

4.2 The department acknowledges that it has suffered from poor quality data stored on old, legacy IT systems and is now addressing these issues.

4.3 An independent Performance and Risk Directorate was created in November 2013 responsible for modernising performance reporting and continuous improvement. It identifies opportunities and risks, and presents a coherent picture of strengths and vulnerabilities across the department. It is already providing clearer management information to the Home Office board than has been available previously, and continues to improve the presentation of data within the department.

4.4 Significant programmes of change on a range of IT systems are underway across the department. The department introduced a data strategy and data standards in spring 2014 detailing its approach to improving the availability and value of data. Specifically, the department is introducing dedicated governance structures, plans to introduce a data quality rosette system, providing a star rating on the reliability and assurance level of data within different systems, and technical solutions for constraining data entry by customers and staff.

4.5 An internal audit of data quality was undertaken in June 2014 with clear actions identified to drive further improvement, including access to case working systems, reconciling data between IT systems and data assurance.

5: Committee of Public Accounts conclusion:
The failure of major IT projects has prevented the Department from streamlining its work processes and left it reliant on out-of-date IT systems for day-to-day business.

Recommendation:
As a matter of priority, the department should identify the future IT capabilities it requires, so it can develop a comprehensive, system-wide IT strategy that will deliver the required capabilities.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 The Home Office Technology Strategy sets out how the department will address key challenges relating to the standardisation of technology, the reduction of the department's reliance on legacy systems, and the reduction of costs. This strategy, combined with the Home Office digital strategy, is fully aligned with the Government's ICT and digital strategies. The technology strategy prescribes an architecture for the whole of the Home Office that describes how the department will create a flexible and interoperable approach to delivering future technology and digital services. The department has also reviewed and improved governance and control structures.

5.3 Replacement of borders and immigration technology, while supporting day-to-day operations, is a complex task that the department will deliver incrementally over the coming years. The agile approach taken will enable incremental delivery of capabilities to meet business priorities, ensuring early delivery of business benefit.

5.4 The recent Warnings Index Migration represents the single most significant step forward in UK Border Technology in recent years, and will play an essential part in ensuring UK security. The Immigration Platform Technologies programme has already delivered an online service for Tier 2 and Chinese Visit Visa applications.

6: Committee of Public Accounts conclusion:
The Committee is not convinced that the department has a robust plan to improve performance and meet its targets with fewer resources.

Recommendation:
The department should gather accurate data on the costs of all its activities and develop a robust financial plan that sets out how it will achieve both the necessary level of savings and the improved performance required.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2015.

6.2 The restructure of the department has resulted in financial planning and performance monitoring being conducted in consolidated corporate functions. This has led to improved consistency of measurement, better coordination and uplift in performance in key areas as well as understanding the dependencies across parts of the department. A consolidated financial model has been produced that brings together the key cost drivers to inform medium term financial planning. This is being used to support 2015-16 financial planning, where the department is preparing for a £500 million budget reduction, in cash terms. The department is doing further work to understand key cost drivers in more detail and exploring the use of performance data to assist in developing and monitoring against detailed efficiency plans.

6.3 The department has already enhanced how performance and risk is reported at board level and to Ministers so that it provides a coherent picture of strengths and vulnerabilities across the department and has also started putting in place the longer term capability the department needs to deliver in the future.

Government Cash Management

Summary

December 2014

Overview

1. This is the fourth annual progress report on the Treasury's joint objective, with Government departments, to minimise the Government's cash balances held outside the Exchequer. It also updates progress made on the relevant recommendations set out in the Committee's 33rd report.

2. Departments have continued to maximise balances held within the Exchequer by closing bank accounts with commercial providers and switching to using the Government Banking Service (GBS) instead. Seven out of 16 reporting departments have reduced their number of commercial accounts by 143, and their Exchequer funded balances by £113.32 million. However, overall total balances from departments have increased from £1.33 billion (1,438 accounts) in September 2013 to £1.92billion (1,597 accounts) in September 2014.

3. These increases are mainly due to the Department for Culture, Media and Sport (DCMS) providing a more complete picture of their arm's-length bodies; the Department for Work and Pensions (DWP) opening commercial accounts for third-party pension funds; the Department of Health (DH) including for the first time balances for Community Health Partnerships;, and the Department for Transport (DFT) counting balances relating BRB (Residuary) Ltd following its abolition in September 2013.

4. When those five areas with high balances held outside the Exchequer for policy reasons (set out in paragraphs 12-23) are included, the overall position has increased from £6.58 billion to £8.1 billion. This is mainly due to the inclusion of Network Rail, which was reclassified to Public Sector on 1 September 2014 (£0.71 billion), and the increase in the number of Academies, which led to an additional £0.67 billion.

5. The Treasury has continued to work proactively with Government departments and the Government Banking Service to reach our collective goal. For example, the Treasury has:

- updated the register of commercial accounts held by Government departments and their public bodies, and worked with departments to see if it is possible to open a GBS account and, if not, to authorise a commercial account;
- monitored quarterly information on commercial balances and continued to push for all commercial accounts to have limits; and
- ensured that banking and managing cash guidance provided in Managing Public Money Annex 5.6 is being followed by departments.

Update

6. This update explains what has been achieved so far. It sets out the challenges ahead and provides details of the accuracy of departmental cash forecasting in the financial year 2013-14.

7. As of 30 September 2014, there were 1,597 commercial accounts on the Treasury's register. Of these, 428 are overseas banking accounts held by the Foreign and Commonwealth Office (FCO); the Ministry of Defence (MOD); and the Department for International Development (DFID) for operational reasons.

8. There are balances totalling £1.92 billion held in these commercial accounts outside the Exchequer. This includes £180.77 million which is held in accounts under review, closing or should be moved back into the Exchequer within the next year. This leaves £1.7 billion to be retained in commercial accounts. Of £1.74 billion, only £328.65 million is directly provided by the Exchequer, with the remaining £1.4 billion not considered appropriate to hold in the Exchequer mainly because cash held belongs to third parties and needs to attract commercial rates of interest, or there are legal or statutory reasons why cash cannot be held in the Exchequer. This £1.4 billion balance also includes approximately £239 million in sterling equivalent for foreign currency reserves (included for the first time this year, note 1 in the table 1 at paragraph 9).

9. A detailed summary of the accounts accepted and their balances on 30 September 2014 compared to September 2013 is shown at Annex B, with a condensed version of the information in table 1 below.

Table 1 notes

I. Balances include foreign currency reserve (approximately £239 million in sterling equivalent). Breakdown between Exchequer and non-Exchequer funds for these are currently not available, therefore, balances are included within total value to be retained columns.

II. NCA is a new agency which became operational in October 2013. Commercial accounts operated by the Serious Organised Crime Agency transferred from the Home Office to NCA.

III. Treasury Balance includes Royal Households, Money Advisory Service and FSCS (Financial Services Compensation Scheme) funds held in commercial accounts. However, it does not include funds (£1.29 billion) held by FSCS at the Bank of England. FSCS fund are levy funded and consolidated into the Treasury Group of Accounts. (Paragraph 21 for more information on FSCS)

IV. DFE Academies balances are only available as at 31 March 2013 and 31 March 2014 and these numbers have been included in the table

V. UK Asset Resolutions also holds £5.2 billion at the Bank of England and not included in above balance. (Paragraph 21 for more information)

VI. Network Rail was re-classified as public sector on 1 September 2014.

Challenges Ahead

10. The Treasury, working with other Government departments, will continue to look at ways of further reducing commercial balances. The GBS money transmission contract expires in March 2016 and the contract is currently out to tender. Minor improvements are envisaged to ensure that all customers have full access to all modern money transmission products at a finer pricing agreement than would be available to individual departments. There will inevitably be some change in banking providers as a consequence, but to limit the cost of change to departments GBS will only take on new customers in the interim if their balances are substantial.

11 In certain cases Government departments and their public bodies need to use commercial accounts. We have allowed these accounts to be retained if:

- cash held belongs to third parties and needs to attract commercial rates of interest, and/or there are legal or statutory reasons why cash cannot be held in the Exchequer;

- moving away from a current commercial banking contract would not represent value for money for the Exchequer as a whole. In certain circumstances the interest the Exchequer saves from the use of relatively small balances may be less than the costs associated with the change; or

- they relate to accounts held with banks abroad, which are currently outside the remit of Government Banking. The GBS team is working with relevant Government departments to identify how foreign banking, and indeed international cash management, might benefit from the lessons learned in dealing with sterling.

Table 1

Government Departments (including NDPBs)	2013 Total value held in commercial accounts	2013 Total value to be retained	2013 Of this Exchequer fund	2014 Total value held in commercial accounts	2014 Total value to be retained	2014 Of this Exchequer fund
	£m	£m	£m	£m	£m	£m
Business (BIS) (i)	206.72	193.29	30.17	235.31	212.66	22.65
Communities (DCLG)	13.06	9.15	2.50	5.61	5.61	3.02
Culture (DCMS) (i)	22.81	22.81	22.81	191.36	116.18	16.34
Energy (DECC) (i)	12.31	12.31	12.31	20.12	20.12	20.11
Environment (DEFRA) (i)	36.66	13.94	0	44.18	13.41	5.82
Health (DH) (i)	5.52	5.52	5.52	45.19	45.19	44.93
Transport (DFT)	155.07	155.07	9.09	262.31	262.31	147.66
Education (DFE)	0.11	0.11	0.11	0.04	0.04	0.04
International (DFID) (i)	1.84	1.84	0.21	1.01	1.01	0.23
Work / Pensions (DWP)	346.83	318.67	20.92	575.15	560.92	10.65
Foreign (FCO) (i)	144.65	144.65	55.84	171.29	171.29	0
Revenue and Customs (HMRC)	49.56	49.56	5.76	44.70	44.70	9.50
Home Office (HO) (i and ii)	69.46	69.32	61.55	29.64	29.64	29.64
Justice (MOJ) (i)	181.73	128.33	0.24	219.56	181.45	0.80
Defence (MOD) (i)	18.56	18.50	18.50	17.26	17.26	17.26
Treasury (HMT) (iii)	65.42	65.42	0	56.53	56.53	0
Total from departments	**1330.31**	**1208.49**	**245.53**	**1919.25**	**1738.31**	**328.55**
DFE Academies (iv)	1783.00			2471.00		
DH Foundation Trusts	219.00			222.00		
Treasury UK Asset Resolution (v)	2754.10			2245.01		
Nuclear Liabilities Fund (vi)	500.00			500.00		
Network Rail	N/A			718.00		
Sub-total	**5256.10**			**6156.01**		
Grand Total	**6586.41**			**8075.26**		

12. There are five major policy areas where very high balances are held outside the Exchequer for the following policy reasons:

Department of Health (DH)

13. Trusts and Foundation Trusts currently sit outside Treasury's Cash Management Scheme, in other words, cash forecasts are not provided to HM Treasury.

14. NHS Trusts are required, under legal direction issued jointly by the Department of Health and the Treasury, to ensure that average cleared balances held outside of the Exchequer pyramid do not exceed £50,000. They are free to hold cash or invest in Exchequer products. In the Foundation Trust sector, DH is not prescriptive on banking issues and do not have the legal powers to direct on such matters. Foundation Trusts have the freedom to decide locally how to deliver best value from their income and this may include the use of commercial accounts. Foundation Trusts must meet liquidity and working capital targets set by Monitor as a prudent way of managing risk and ensuring continuity of vital services.

Department for Education (DFE)

15. Balances held by Academies are within the DFE's accounting and reporting boundary; but schools which are funded by Local Authorities are outside the scope of the report. Academies have financial independence, including in respect of their banking arrangements, and do not have to open GBS accounts. However, DFE's financial handbook for academies sets out DFE's accountability framework, including the requirement that an academy trust with a substantial surplus must have a clear plan of how it will be used to benefit their pupils.

16. Academies, as part of the DFE group, all hold commercial bank accounts outside the GBS system. Table 2 below shows the aggregate value of cash held in commercial bank accounts by individual academy trusts for the past two years, plus a forecast for the March 2015 balance.

Table 2

Cash at bank	March 2013		March 2014		March 2015	
	Actual		Actual		Forecast	
	£m	No of ATs	£m	No of ATs	£m	No of ATs
	1800	2823	2471	3901	3702	4949

17. The above balances relate to March, as September balances are not available due to current reporting arrangements between DFE / Education Funding Agency (EFA) and Academies.

18. It is important to note that, although the Exchequer provides a significant portion of academy funding, academy trusts also receive other income from third parties (for example: endowments, catering, hall hire etc) which contribute to their cash balances. DFE estimates that academy trusts generate approximately ten per cent of their income from non-DFE sources, although this varies from trust to trust.

19. DFE report that there is currently no evidence that academies are accumulating unnecessarily large reserves; the balances represent necessary working capital and cash set aside for (often capital) projects/large purchases. After deducting current liabilities, the March 2014 net cash balance reduces by approximately half, which represents funding for about one month's operations. This is a prudent level of solvency for self-managing bodies which cannot borrow, and which face a high proportion of fixed monthly salary expenditure. DFE calculates that the average holding at 31 March 2014 was £631,000 and projects that it will increase to £748,000 in March 2015. Although the overall average is expected to increase, DfE is reporting a trend indicating that the number of Academies holding large cash balances (i.e. above £1 million) is decreasing. DFE predicts that by March 2015, 41% of Academies will be holding balances in the £100,000 - £500,000 range.

20. EFA is also undertaking a thematic review into cash balances for Academies, as at 31 August 2013, to understand more fully the reasons why trusts accumulate reserves, which will include an analysis and comparison across differently-sized trusts. This review is due to be published in January 2015 and we expect to include any findings when we update the PAC next year.

HMT UK Asset Resolutions

21. HMT UK Asset Resolutions have made good progress for UKAR commercial balances, which have reduced from £2.7 billion in 2013 to £2.3 billion in 2014. It was possible to move funds into the GBS because the regulator was happy that these funds ultimately sit at the Bank of England and could be used at short notice in a crisis. UKAR and FSCS hold a further £6.5 billion (UKAR £5.2 billion, FSCS £1.3 billion) at the Bank of England but outside the Exchequer. These balances are levy-funded and consolidated into the Treasury Group of Accounts. As these balances are held in the Bank of England, they are not included with the September 2014 balances held in Commercial accounts.

Nuclear Liabilities Fund

22. The Nuclear Liabilities Fund is a Trust which has been classified to the public sector by the Office for National Statistics for national accounts purposes. The Government guarantees the downside risk of the Fund not meeting its liabilities, so the Government therefore believes that taxpayers should have access to any upside benefit. The Nuclear Liabilities Fund currently has around £7.5 billion invested within the National Loans Fund out of its total assets of around £8.8 billion. Of the remaining £1.3bn outside the Exchequer, about £500 million is retained in liquid assets. The Government has asked the Fund to agree a plan to bring the additional funds within the Exchequer. This will minimise the Government's cost of borrowing.

Network Rail

23. The Network Rail balance of £718 million has been added to this year's list as it has been reclassified to the public sector from 1 September 2014. DFT continues to raise the use of commercial accounts with Network Rail, and will continue to keep this under review.

PAC Conclusions Update

24 We invited departments to update the Treasury and the Committee of Public Accounts on progress made against the department-facing recommendations. The replies received were positive and illustrate that action has been taken to implement the Committee's recommendations. A summary of responses is provided in Annex A.

25. Also attached is the cash flow league table for 2013-14 (Annex C). This shows the accuracy of cash forecasting by departments as an average monthly percentage variance on forecast. Overall departmental forecasting accuracy continues to improve although forecasting is becoming more challenging as departments bring more of their arm's length bodies into the Government Banking Service.

26. The Treasury agrees with the NAO's conclusion that the main strength of the Treasury's Cash Flow Management Scheme is that it uses a combination of incentives in the form of notional charges and rebates and league tables. The Treasury keeps the rules of the scheme under constant review to ensure that it meets the desired objective. We are also considering further suggestions from departments and other stakeholders to modify the scheme.

27. In the past, when the Treasury allowed End-Year Flexibility, charges and rebates were applied annually and published in the Public Expenditure Outturn White Paper. The Chief Secretary has decided that from 2014-15 charges and rebates will be applied to non-ring fenced DEL budgets by amending departments' control totals at the time of the Supplementary Estimates. This will change the level of spending which budgets allow through a reduction or increase of a departments' DEL by amending budget control totals. It will highlight the fact that there are real costs to poor forecasting and real benefits available from good forecasting. As changes will be made by amending department's control total for DEL budget, departments' do not have to acknowledge this as revenue or expense in their accounts.

28. The Treasury has also reminded departments that the status of their Departmental Supply Estimate account and/or the agreed group of accounts held at the GBS should never be overdrawn. Departments are aware that a penalty charge of base rate plus two per cent may be applied on overdrawn balances.

29. The Treasury values the Committee’s continued support and interest in this area. We will continue to keep you updated and would appreciate any feedback you may have on the presentation of this information to ensure our annual updates are as helpful as possible.

Nicholas Macpherson
Permanent Secretary

December 2014

Government Cash Management

HM Treasury

Annex A – Updated response to the Committee

PAC RECOMMENDATION 1

Departments and their sponsored bodies should have their main account with the Government Banking Service, so that unspent money is kept at the Exchequer. This is one of the most important elements of good cash management in Government, as it not only reduces Government borrowing but minimises risks and allows the Government to plan and manage its cash flow more cost-effectively. Organisations should only have commercial bank accounts where they have agreed with the Treasury that the Government Banking Service cannot satisfy a particular business need.

1.1 All departments hold their main accounts at Government Banking Service (GBS). Departments have worked with the Treasury to review accounts held in commercial banks, to move accounts to GBS, and to close other accounts. This has led to the closure of a number of accounts, and where new commercial accounts have been opened with agreement of the Treasury, their balances are being monitored by departments. Departments are still working with their various bodies to continue this work and submit quarterly returns to the Treasury of balances held in commercial accounts. These are closely monitored by the Treasury and large variances queried. All accounts held outside GBS are subject to annual review. For example:

- The Department for the Environment and Rural Affairs (DEFRA) are continuing to monitor the use of commercial bank accounts closely and have closed 75 commercial bank accounts since the start of this review.

- All Department for Health (DH) sponsored bodies are now required to hold GBS accounts and DH only provide direct funding into these accounts. NHS England and Clinical Commissioning Groups (responsible for around 90% of DH cash usage), have also agreed that GBS must be used for all their banking activity and commercial bank accounts must not be used.

PAC RECOMMENDATION 2

Departments need to improve their links with sponsored bodies and collect more accurate information on when they use their cash. Based on the data, they should amend payment cycles to sponsored bodies with commercial bank accounts, so that the bodies receive money when they need it, and not before. This amendment may be for more frequent payments, or making the monthly payments closer to the date when significant liabilities, such as payroll, need to be met.

2.1 Departments have set up systems with their bodies to improve forecasting. This means that they have improved information regarding funding flows which helps to ensure that payments are not made in advance of need. For example:

- Ministry of Justice (MOJ) has established common practices for all Grant in Aid requests which require approvals from both Sponsorship and Finance officials to ensure comprehensive governance. The compilation of month end management accounts includes cash flow reconciliation by which outturn data received from sponsored bodies is compared against previously submitted cash flow forecasts. Variances are examined to identify areas where cash forecasting can be improved.

- The Department for International Development (DFID) make payments to a single sponsor body, which holds an account within the Government Banking Service. Payments are made to match forecast expenditure needs. DFID is working with the body to improve the accuracy of their forecasting to minimise balances held within this account.

PAC RECOMMENDATION 3

Public bodies need to gather information from business units to forecast individual monthly expenditure. To do this effectively, they need to structure them to facilitate continuous dialogue between those staff responsible for forecasting cash requirements, and those making payments. They also need to emphasise to budget holders responsible for approving large payments and claiming receipts in their own organisation, as well as any sponsored bodies, the importance of accurate forecasting and communicating any changes to forecasts as soon as possible to the cash managers.

3.1 Many departments are now providing feedback to their bodies on performance, highlighting the importance of good cash forecasting and investigating discrepancies. For example:

- Department for Energy and Climate Change (DECC) finance gather cash forecast information from business units each month and manages the cash position carefully on a daily basis. Following a change in shared service provider from Department for Business, Innovation and Skills (BIS) and to DEFRA in June 2012 the department has taken some work in house which has enabled the cash management team to build stronger links with those responsible for making payments across the department, and to provide more accurate forecasts.

- BIS is also in close contact with Partner Organisations throughout the month, and all forecast transaction values are confirmed in advance of actual payment / receipt dates. BIS receives regular updates on Partner Organisations actual daily outturns and advance warning of expected variances so that the overall position across the BIS family can be better managed.

PAC RECOMMENDATION 4

With the tighter fiscal position, Boards should have greater oversight of information on cash flow, so they better understand the pattern of spend, as well as total spend, and can address any potential risks. Central finance teams should develop more informative reports, which ought to include movements in the main current bank accounts and comments on variances. Where there is an operational need to have commercial accounts, Boards should ensure that cash balances are invested in interest earning accounts, while having due regard for credit risk. They should also receive reports on the proportion of their cash which earns interest, the rates earned, and a credit assessment of the institution with which their funds are held.

4.1 Departments have used different methods to report cash flow to their boards and some departments are still working to improve their lines of reporting. For example:

- Over the past year and working closely with its Non-Executive Directors, the Department for Communities and Local Government (DCLG) has strengthened the quality and range of its management information. Monthly information about cash management is a standard part of board reporting, including data on performance against Parliamentary limits for cash drawdown and the accuracy of monthly cash forecasting. This is informed by operational reports reflecting the movements in the department's main bank accounts and variances against forecast.

PAC RECOMMENDATION 5

Organisations should manage their payments in a way that allows them to use the most cost-effective methods, and develop strategies for limiting the use of expensive paper Handling.

5.1 BACS is the preferred method of payment and is used by all Departments. The majority of payments are made this way and CHAPS is only used when necessary. Internal transfers (GBS account to GBS account) are used when paying another government department and GPC cards used for low-value payments. For example:

- HMRC has refreshed their Payments Strategy and are making significant progress on their Digital Strategy journey. Both are designed, among other things, to migrate customers away from paper instruments.

PAC RECOMMENDATION 6

The Treasury needs to extend its incentives to encourage public bodies to keep more money in accounts at the Exchequer, for example: by making bodies' performance in this regard more transparent. It could also, together with the Government Banking Service, take a more active approach to achieving compliance with its guidance on minimising commercial balances. Any of these steps would need to be taken in a way that minimises unintended behaviours, and would also incur some limited additional staff cost. However, new mechanisms are critical in shifting the focus away from just accurate forecasting. The most cost-effective system would be for all public bodies to bank with the Exchequer and manage their cash in accordance with the guidance without the need for incentives.

6.1 The Treasury has continued to work proactively with departments and the GBS to reach our collective goal by doing the following:

- Updating the register of commercial accounts held by Departments and their public bodies, and working with Departments to authorise new commercial accounts when it is not possible to place funds with the GBS;

- Monitored quarterly information on commercial balances and continued to push for limits on all commercial accounts;

- Updated the Banking and Cash Management guidance provided in Managing Public Money (Annex 5.6) to cover all aspects of cash management, holding commercial accounts, and policy relating to overdrawn accounts at GBS;

6.2 For example:

- DH was requested to review the policy by which the dividends on the investment in NHS Providers are calculated. From 2013-14 dividend charges are calculated based on the average balance over the financial year held in commercial accounts, rather than the year-end balance. This has worked well by providing incentives to these bodies to keep more funds in GBS accounts throughout the year and prevented unnecessary movements between GBS and commercial accounts at year-end.

PAC RECOMMENDATION 7

The Treasury is already working with Departments to improve their performance, but should focus more on those Departments with the greatest scope to improve, based on current performance and the context in which they operate. In light of the tighter fiscal position, it should work with all Departments to help them identify how they can improve their forecasting accuracy, particularly at the end of the financial year, without compromising the policy of minimising cash balances held in commercial accounts.

7.1 The Treasury issues league tables at official level to departments each month and writes to Finance Directors at the end of each year to update them on their department's cash flow management performance. The Treasury provides coaching or support to new or underperforming departmental cash managers. The training is proportionate to the funds for which the cash managers are responsible for.

7.2 The Treasury's focus continues to remain with DH following the significant change in its structure. The Treasury runs an annual departmental seminar which brings together around 80 departmental cash managers to spread best practice and to help improve cash forecasting.

PAC RECOMMENDATION 8

Where there is a value for money case for using a commercial provider for standard banking services, public bodies should seek approval from the Treasury. When procuring specialised banking services, organisations should first check whether the new Government Banking Service is able to provide them. If not, they should work with the Government Banking Service during the specification and tendering process, as it can coordinate knowledge sharing across the wider public sector.

8.1 The role of the Government Banking Service as an expert on money transmission services is now well embedded. Major external contracts with other providers have been aligned so that they can be brought within one major re-tender exercise ahead of the expiration of Government Banking Service contracts with Citibank and Royal Bank of Scotland in 2016.

8.2 Knowledge of existing and new products is shared across Government by a regular newsletter to Finance Directors and ad-hoc meetings of key customers are held to discuss and agree common approaches to payment industry issues such as cheque imaging.

8.3 The Director of the Government Banking Service is also the Cabinet Office Crown Commercial Representative for Banking. His sign-off for all banking contracts protects against commercial balance leakage to the commercial sector.

Annex B1 – Summary commercial balances as at September 2014

Government Departments (including NDPBs)	Total number of commercial accounts 2013	Total number of commercial accounts 2014	Quantity to be retained	Quantity closing, under review or migrating to GBS
Business (BIS) (i)	97	94	88	6
Communities (DCLG)	28	9	7	2
Culture (DCMS) (i)	23	291	163	128
Energy (DECC) (i)	12	12	12	0
Environment (DEFRA) (i)	51	41	14	27
Health (DH) (i)	128	117	117	0
Transport (DFT)	8	8	8	0
Education (DFE)	8	6	6	0
International (DFID) (i)	50	50	50	0
Work / Pensions (DWP)	74	68	62	6
Foreign (FCO) (i)	287	317	317	0
Revenue and Customs (HMRC)	21	21	21	0
Home Office (HO) (i and ii)	25	17	17	0
Justice (MOJ) (i)	200	122	76	46
Defence (MOD) (i)	421	418	416	2
Treasury (HMT) (iii)	5	6	6	0
Total	**1438**	**1597**	**1380**	**217**

NOTES

i. Balances include foreign currency reserve (approximately £239 million in sterling equivalent). Breakdown between Exchequer and non-Exchequer funds for these are currently not available, therefore, balances are included within total value to be retained columns.

ii. NCA is a new agency which became operational in October 2013. Commercial accounts operated by the Serious Organised Crime Agency transferred from the Home Office to NCA.

iii. Treasury Balance includes Royal Households, Money Advisory Service and FSCS (Financial Services Compensation Scheme) funds held in commercial accounts. However, it does not include funds (£1.29 billion) held by FSCS at the Bank of England. FSCS fund are levy funded and consolidated into the Treasury Group of Accounts. (Paragraph 21 for more information on FSCS)

iv. DFE Academies balances are only available as at 31 March 2013 and 31 March 2014 and these numbers have been included in the table

v. UK Asset Resolutions also holds £5.2 billion at the Bank of England and not included in above balance. (Paragraph 21 for more information)

vi. Network Rail was re-classified as public sector on 1 September 2014.

Annex B2 – Summary commercial balances as at September 2014

Government Departments (including NDPBs) Figures in £ millions	Total value held in commercial accounts 2013	Total value held in commercial accounts 2014	Total value to be retained	Of this Exchequer fund	Value closing under review or migrating to GBS	Value under review / closing
Business (BIS) (i)	206.72	235.31	212.66	22.65	22.64	1.75
Communities (DCLG)	13.06	5.61	5.61	3.02	0	0
Culture (DCMS) (i)	22.81	191.36	116.18	16.34	75.18	36.15
Energy (DECC) (i)	12.31	20.12	20.12	20.11	0	0
Environment (DEFRA) (i)	36.66	44.18	13.41	5.82	30.78	17.93
Health (DH) (i)	5.52	45.19	45.19	44.93	0	0
Transport (DFT)	155.07	262.31	262.31	147.66	0	0
Education (DFE)	0.11	0.04	0.04	0.04	0	0
International (DFID) (i)	1.84	1.01	1.01	0.23	0	0
Work / Pensions (DWP)	346.83	575.15	560.92	10.65	14.23	13.93
Foreign (FCO) (i)	144.65	171.29	171.29	0	0	0
Revenue and Customs (HMRC)	49.56	44.70	44.70	9.50	0	0
Home Office (HO) (i and ii)	69.46	29.64	29.64	29.64	0	0
Justice (MOJ) (i)	181.73	219.56	181.45	0.80	38.11	13.59
Defence (MOD) (i)	18.56	17.26	17.26	17.26	0	0
Treasury (HMT) (iii)	65.42	56.53	56.53	0	0	0
Total from departments	**1330.31**	**1919.25**	**1738.31**	**328.55**	**180.94**	**83.35**
DFE Academies	1783.00	2471.00				
DH Foundation Trusts	219.00	222.00				
Treasury UK Asset Resolution	2754.10	2245.01				
Nuclear Liabilities Fund	500.00	500.00				
Network Rail	N/A	718.00				
Sub-total	**5256.10**	**6156.01**				
Grand Total	**6586.41**	**8075.26**				

Government Cash Management

HM Treasury

Annex C1 – Cash Management League Table: April 2013 to March 2014

Departments	Cumulative Ranking	Average % monthly variance on cash forecast
Energy (DECC)	1	0.15
Business (BIS) – inc UKAEA	2	0.90
Work and Pensions (DWP)	3	1.03
International (DFID)	4	1.14
NHS Pensions	5	2.31
Royal Mail Pensions	6	2.37
Revenue and Customs (HMRC)	7	2.60
Scotland Office	8	2.81
Wales Office	9	2.84
Treasury (HMT)	10	3.08
Home Office	11	3.28
Transport (DFT)	12	3.89
Education (DFE) inc Teachers Pensions	13	4.48
Environment (DEFRA)	14	4.69
Civil Superannuation	15	5.31
Justice (MOJ)	16	5.34
Culture (DCMS)	17	5.77
Northern Ireland Office	18	7.00
Health (DH)	19	7.52
Communities (DCLG)	20	7.94
Defence (MOD) inc Pensions	21	8.05
Foreign (FCO)	22	8.14

Forecast Net Payment Flow and Outturn Figures: 2013-14

- Total forecast: £454.73 billion.
- Total outturn: £446.42 billion.
- Variance: £8.31 billion.

Each month, departments submit forecasts of their gross payments and receipts. By monitoring their Government banking Service accounts, we calculate the implied net payment flow using balance plus funding received from the Consolidated Fund minus closing balance to give the implied net payment flow figure for the month. The difference between the forecast and the outturn is expressed as a percentage of the Forecast Net Payment flow

The target is for departments to be within 5% of their Forecast Net Payment flow figure. Departments receive monthly feedback on their performance showing both monthly and year to date outturn. The year runs from April to March. The outturns illustrated in the two tables are for 2013-14 and for April to October 2014. The accuracy of cash forecasting information quarterly data is also in the Business Plan Quarterly Data Summary published on department's websites.

Annex C2 – Cash Management League Table: April to October 2014

Departments	Cumulative Ranking	Average % Variance YTD
Energy (DECC)	1	0.14
Business (BIS) – inc UKAEA	2	0.75
Work and Pensions (DWP)	3	0.86
International (DFID)	4	0.90
Home Office	5	1.11
Wales Office	6	1.71
Education (DFE) inc Teachers Pensions	7	1.74
Revenue and Customs (HMRC)	8	1.97
Treasury (HMT)	9	2.36
NHS Pensions	10	2.51
Royal Mail Pensions	11	2.52
Transport (DFT)	12	2.77
Justice (MOJ)	13	3.23
Scotland Office	14	3.68
Environment (DEFRA)	15	4.03
Communities (DCLG)	16	4.26
Defence (MOD) inc Pensions	17	4.72
Foreign (FCO)	18	5.58
Northern Ireland Office	19	6.06
Health (DH)	20	6.81
Civil Superannuation	21	7.52
Culture (DCMS)	22	9.79

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