



HM Treasury

# Treasury Minutes

**Government responses on the Fifteenth to the Twentieth reports from the Committee of Public Accounts: Session 2015-16**

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# Treasury Minutes

## Government responses on the Fifteenth to the Twentieth reports from the Committee of Public Accounts: Session 2015-16

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

TREASURY MINUTES DATED 23 MARCH 2016 ON THE FIFTEENTH TO THE TWENTIETH REPORTS FROM THE COMMITTEE OF PUBLIC ACCOUNTS: SESSION 2015-16

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# Fifteenth Report of Session 2015-16

## Department for Environment, Food and Rural Affairs/Ofwat

### Economic regulation of the water sector

#### Introduction from the Committee

The water industry in England and Wales, privatised in 1989, now includes 18 large independent privately-owned companies who are monopoly suppliers to 22 million households and to most of the 2 million non-household customers. The Department for Environment, Food and Rural Affairs and the Welsh government set the policy and legislative framework for the water industry in England and Wales. Ofwat is the independent economic regulator of the water industry. Its main statutory duties include: protecting the interests of consumers; securing the long-term resilience of water supply and wastewater systems; and ensuring that companies carry out their functions and are able to finance them. Companies are funded from customer bills and financed through private investment. Ofwat sets limits to the prices companies may charge for 5-year periods, allowing for operational and financing costs of delivering services to customers, and making assumptions about the efficiency improvements that companies should make. The average household bill in 2014–15 was £396.

On the basis of a report by the NAO, the Committee took evidence, on 4 November 2015, from the Department for Environment, Food and Rural Affairs, Ofwat, Consumer Council for Water, Thames Water and United Utilities on the economic regulation of the water sector. The Committee published its report on 13 January 2016. This is the Government response to the Committee's report.

#### Background resources

- NAO report: The economic regulation of the water sector - Session 2015-16 (HC 487)
- PAC report: Economic regulation of the water sector – Session 2015-16 (HC 505)

#### **1: Committee of Public Accounts conclusion:**

*Ofwat has consistently over-estimated water companies' financing and taxation costs when setting price limits.*

#### **Recommendation:**

*Ofwat should review its approach to setting allowances for the cost of debt and corporation tax, taking into account the methods used by other economic regulators, and report publicly on what actions it intends to take to improve its performance.*

1.1 The Government accepts the Committee's recommendation.

**Target implementation date:** December 2017.

1.2 Ofwat is looking at how it sets the cost of debt and its approach to tax as part of its overall strategy for the next price review in 2019 (PR19) to ensure that there is an appropriate sharing of risks between companies and customers in line with its statutory duties. Ofwat is carrying out a programme of work that is designed to determine this policy over the next 2 years and will include its position in the methodology statement for the PR19 in December 2017. Ofwat is working closely with other regulators through the UK Regulators Network (UKRN) on common policy areas, which includes tax and cost of debt.

#### **2: Committee of Public Accounts conclusion:**

*Ofwat's efforts to ensure that the windfall gains made by companies were shared with customers secured limited results that varied significantly from company to company.*

#### **Recommendation:**

*Ofwat should monitor water companies' windfall gains, report publicly on their scale and set out what actions it intends to take to ensure all companies provide a proper share of windfall gains that arise in future to their customers.*

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

2.2 While addressing risk and reward beyond 2020, Ofwat has set financial and performance reporting requirements, which will enable stakeholders to assess out and under-performance during the current price control period (2015-2020) to identify potential gains and the sharing of such gains. Gain sharing arrangements will reflect the terms of the final determination and any other gain sharing as proposed by companies.

2.3 Separately Ofwat, in addition to disclosure requirements in the annual performance report, has implemented a financial monitoring framework to enhance transparency of company financing and capital structures, and give stakeholders a clearer and broader view of solvency, liquidity, risk management and longer-term financial resilience in light of anticipated investment programmes. Ofwat set out how it would use targeted action as part of its work to monitor companies' performance and delivery to protect customers in response to a particular risk and such monitoring will be expanded to consider outperformance.

**3: Committee of Public Accounts conclusion:**

*Ofwat does not do enough to benchmark the efficiency of water companies against comparators from outside the sector.*

**Recommendation:**

*Ofwat should use comparisons with other sectors and international suppliers to develop a clearer picture of what services should cost if provided efficiently.*

3.1 The Government accepts the Committee's recommendation.

**Target implementation date:** December 2017.

3.2 Ofwat already makes use of comparisons with other sectors in driving efficiencies by benchmarking financial performance and the cost of capital. In addition to incentivising financial efficiency, Ofwat encourages competition in the provision of a range of services and activities, so that customers benefit from market forces and the expertise and efficiency of a full range of suppliers. Where there are remaining areas of monopoly, Ofwat will set targets for efficient costs. Companies are required to demonstrate that they have undertaken proper options appraisals and that their cost estimates are efficient, including providing evidence of robust review and challenge by international suppliers. Ofwat is further strengthening how competition and efficiency are encouraged and incentivised. This will form part of the 2019 price review methodology.

**4: Committee of Public Accounts conclusion:**

*Financial support for customers who struggle to pay water bills varies substantially from company to company.*

**Recommendations:**

*Defra and Ofwat should ensure that all companies provide a minimum threshold of support for low-income customers who are struggling to pay, and oblige companies to advertise clearly the support they provide to all customers. Defra and Ofwat should monitor take-up rates to identify priority areas where improvements are needed.*

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

4.2 The Government agrees that water companies should advertise clearly the support available to all customers. The Government has encouraged water companies to provide support for low-income customers by providing guidance to water companies on social tariffs and putting in place the mandatory WaterSure scheme to help low income customers who have unavoidably high water use. Ofwat has also provided the companies with guidance on specifically supporting those customers in need.

4.3 Water companies have responded with social tariffs, customer assistance funds, debt advice and water efficiency advice. This is a more effective and efficient way to target support to customers in vulnerable circumstances and address affordability issues, rather than setting a minimum threshold, which would fail to meet the different needs of customers in different areas. The Government agrees that customer take-up rates for support should be monitored and Ofwat will ask each company to confirm how it is meeting its own targets on a regular basis. Around 760,000 people benefit from some form of financial support from their water company and this is forecast to increase by one million by 2020.

**5: Committee of Public Accounts conclusion:**

*Customers in areas of water scarcity are paying to develop expensive new capacity when water trading with other companies might be a more cost-effective option.*

**Recommendation:**

*Ofwat should set out what it intends to do to promote more water trading between companies and greater transparency of costs, to encourage new more cost-effective suppliers to enter the market.*

5.1 The Government accepts the Committee's recommendation.

**Target implementation date:** December 2017.

5.2 Ofwat has set out options for a market design for water resources in its December 2015 consultation on its proposals for the 2019 price review. Ofwat's preferred option is to set a binding price control for water resources to help better facilitate an effective market by revealing improved information that will help us set more targeted incentives. Similarly, Ofwat are proposing an information database and a framework that would allow for the 'bidding in' of resource options by third parties on an ongoing and fair basis that provides a level playing field between participants. As part of its consultation, Ofwat also updated its assessment of the benefits of water trading in the sector which suggested that the unrealised benefits of increased water trading are around £1 billion. The final proposals in relation to water trading will be included in the methodology statement in December 2017.

# Sixteenth Report of Session 2015-16

## Department for Transport

### Sale of Eurostar

#### Introduction from the Committee

Eurostar is the sole operator of passenger rail services between London and continental Europe via the Channel Tunnel. Previously the UK arm of Eurostar was part of a consortium London and Continental Railways (LCR)) which planned to privately finance a new high speed line (now known as HS1) between London and the Channel Tunnel. However, passenger numbers through the Channel Tunnel were significantly lower than forecast and taxpayer support for the company was required. Following a number of restructurings a new Eurostar company was formed in 2010 of which the UK government owned a 40% stake alongside the national rail operators of France, SNCF (55% stake) and Belgium, SNCB (5% stake). In March 2015, following a competitive auction, the Treasury sold its 40% stake in Eurostar for £585.1 million to Patina Rail LLP, a consortium made up of Caisse de dépôt et placement du Québec (CDPQ), a Canadian investment fund, and Hermes Infrastructure (Hermes), a UK-based fund.

When the previous Committee examined the HS1 project - the high speed railway linking London and the Channel Tunnel in 2012 - it concluded that the Department for Transport did not have “*sufficient understanding of the economic impact and regeneration benefits of transport infrastructure*” and “*gives insufficient attention to evaluating its major projects*”. The Committee recommended that the Department “*develop a full evaluation framework urgently, including an assessment of the economic impact and regeneration benefits for HS1*”. The Government accepted this recommendation. The evaluation was expected to be published in summer 2013. However, the evaluation report was not released until October 2015.

On the basis of a report by the NAO, the Committee took evidence on 18 November 2015 from the Department for Transport and the Treasury about the sale of the UK Government’s financial interest in Eurostar and examined the general lessons for Government from the sale. The Committee published its report on 20 January 2016. This is the Government response to the Committee’s report.

#### Background resources

- NAO report: *The sale of Eurostar* - Session 2015-16 (HC 490)
- PAC report: *The Sale of Eurostar* - Session 2015-16 (HC 564)

#### 1: Committee of Public Accounts conclusion:

*The sale process, which took place during benign market conditions, was well handled and secured a good return for the taxpayer.*

##### **Recommendation:**

***HM Treasury should ensure that good practice from this sale, particularly in preparing assets for sale to attract a wide pool of credible bidders and maximise sale proceeds, and ensuring that competitive tension is maintained throughout the sale process, is followed in future sales of Government assets.***

1.1 The Government accepts the Committee’s recommendation.

#### Recommendation implemented.

1.2 The Government’s sale of its minority stake in Eurostar will be considered a model for all future asset sales involving an auction process. The Shareholder Executive ran a competitive bidding process with tight, but achievable deadlines. The marketing of the asset and the flexibility of the process that allowed prospective bidders to come forward at a late stage in the process and ensured competitive tension was maximised throughout the sale.



## **2: Committee of Public Accounts conclusion:**

*The government has a track record of undervaluing assets it is selling.*

### **Recommendation:**

*HM Treasury need to examine the underlying causes of the repeated tendency for government and its advisers to undervalue assets that it is selling. It should consider revising its Green Book asset sale valuation guidance to ensure it produces more realistic valuations which protect the taxpayer from selling assets too cheaply. It should produce a hold and a sale valuation for all assets it is selling - the sale valuation must be a robust estimate of the price likely bidders are willing to pay for the asset at the time of the sale. It should report on progress by September 2016.*

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

2.2 The Shareholder Executive employed standard valuation methodologies to assess the value of the Eurostar business and has followed the same approach for other assets. As good practice, the Treasury sought an initial valuation from its advisors UBS, and later a further independent valuation from Ernest & Young. While different assumptions were made in these valuations, the averages of the valuation ranges were reasonably consistent around £305-315 million. The Government will continue to follow similar robust valuation processes, recognising that asset valuation is not an exact science and all methodologies will be subject to a number of potential variables.

2.3 The valuations were used to establish the Government's 'hold' valuation for the transaction, although it was never intended to indicate the sale value. The ultimate price achieved is often driven by the level of competitive tension created through the sale process - in the case of Eurostar, this was particularly high.

## **3: Committee of Public Accounts conclusion:**

*There is an over-reliance on a small pool of financial and legal advisers in some government asset sales and projects.*

### **Recommendation:**

*HM Treasury need to ensure that a wider pool of financial and legal advisers are used to prevent a limited number of firms and banks being the only source of advice for certain types of projects.*

3.1 The Government accepts the Committee's recommendation.

### **Recommendation implemented.**

3.2 All advisors for asset sales and other projects are procured based on the principles of 'fairness and transparency' in compliance with the EU procurement regulations. The Government will continue to access across Government and Crown Commercial Service frameworks (including the new Corporate Finance Services Framework, which is due to be finalised in April 2016); and where appropriate, undertake the Public Contracts Regulations (2015) compliant procurements for specific requirements to ensure a wide pool of potential and capable suppliers are aware of Government procurement opportunities.

## **4: Committee of Public Accounts conclusion:**

*The government relies heavily on external advisers to provide corporate finance skills and expertise.*

### **Recommendation:**

*The creation of UK Government Investments (UKGI), through the merger of the Shareholder Executive and UK Financial Investments, provides an opportunity for the government to consider how it can get best value from internal staff and external advisers for corporate finance deals. UKGI firstly needs to improve its understanding of the costs and value of this work. UKGI should consider the business case for reducing its reliance on expensive external advice by investing more in internal staff and also explore the use of capped fee contracts for legal work.*

4.1 The Government accepts the Committee's recommendation.

**Recommendation implemented.**

4.2 Expert and niche commercial advice was needed for the Eurostar transaction and may be needed for future asset sales. For Eurostar, advisors were used to run the commercial process and prepare the legal documentation. At all times, the Shareholder Executive managed the cost appropriately and the advisers were only used where external advice was required because the specific commercial expertise was not available in Government or resources were not available.

4.3 The legal fees were fully justified as they added value to the sale and provided expertise that is not available in Government. For example, the due diligence work made the bidders comfortable on a very complex contractual matrix which otherwise could have become an issue in the process. The thorough level of legal preparation also allowed a sale contract with minimal future liabilities for the taxpayer. Where appropriate, the Government will seek capped fees although this will be dependent on the detail of the individual project and the negotiated commercial contract between the Government and advisory firms. It is also usual for firms to be required to ensure skills transfer to in house teams, wherever possible and practical, to reduce dependence on external resources in future assignments.

4.4 The total deal costs amounted to just over 1% of the total value of the sale – this is in line with industry norms for similar transactions. All advisers' services to Government are normally provided at a discount to the fees that they charge private sector clients and give Government access to a wide range of resources and expertise that would be difficult to replicate in Government. The procurement and evaluation processes drive out a value for money deal in each instance.

4.5 As is the case now with the Shareholder Executive, UKGI will be staffed by a mix of civil servants on secondment and individuals with corporate finance and commercial expertise from the private sector. UKGI will seek to maximise the effectiveness of its own staff with a focus on keeping skills up to date and relevant. Further, it will seek to ensure that best practice for procuring and managing external advisers is shared across UKGI to ensure the efficient, appropriate and cost-effective use of those advisers.

**5: Committee of Public Accounts conclusion:**

***The Department for Transport does not accept the results of its own "world class" evaluation of HS1 shows that the project was poor value for money.***

**Recommendation:**

***The Department for Transport must improve its understanding of the benefits of transport projects by developing a robust way to evaluate the full economic impact of its investments. It should report on progress by September 2016.***

5.1 The Government accepts the Committee's recommendation.

**Target implementation date:** September 2016.

5.2 The Department is taking steps to improve its understanding of the economic impact of its investments. The Department is finalising changes to its appraisal guidance based on the recommendations from the report '*Transport Investment and Economic Performance: Implications for Project Appraisal*' and will be publishing draft guidance for consultation in spring 2016.<sup>1</sup> Furthermore, the Department has started to develop approaches to evaluate investments once they are opened, building on the initial work for HS1, for HS2, Crossrail, major rail infrastructure projects and local schemes funded under Growth Deals. However, collecting robust evidence in this area is challenging and will require long timeframes.

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<sup>1</sup> [www.gov.uk/government/publications/transport-investment-and-economic-performance-tiep-report](http://www.gov.uk/government/publications/transport-investment-and-economic-performance-tiep-report). The Department's response is available on this link: [www.gov.uk/government/publications/transport-appraisal-in-investment-decisions-understanding-and-valuing-the-impacts-of-transport-investment](http://www.gov.uk/government/publications/transport-appraisal-in-investment-decisions-understanding-and-valuing-the-impacts-of-transport-investment).

**6: Committee of Public Accounts conclusion:**

*The two year delay in publishing the HS1 evaluation is unacceptable.*

**Recommendation:**

*The Committee expects the Department for Transport to provide an assurance that delays of this nature will not occur again and that it will make available all evaluations promptly regardless of their findings.*

6.1 The Government accepts the Committee's recommendation.

**Target implementation date:** June 2016.

6.2 The Department is committed to making evaluation findings publicly available once it has completed a thorough analytical review to ensure that the findings are robust, including peer review where appropriate. The Department acknowledges that these processes took longer than expected in the case of the evaluation of HS1 and wants to conclude analysis more quickly for future evaluations of this kind. The Department will review how it publishes externally-commissioned evaluations in order to strengthen its procedures and will update the Committee in June 2016.

## Seventeenth Report

### Department of Health

#### Management of adult diabetes services in the NHS: progress review

##### Introduction from the Committee

Since the previous Committee of Public Accounts reported in 2012, the Department of Health and NHS England have made progress in improving outcomes for diabetes patients. International evidence now available also suggests that the UK performs well compared to other countries in terms of outcomes for diabetes patients. However, there are significant variations in the routine care and support that diabetes patients receive, and in outcomes for diabetes patients.

The Committee is concerned that the witnesses from the Department and NHS England painted an unduly healthy picture of the state of diabetes services in England. Although an individual diabetes patient's prospects are getting better, the number of people with diabetes is rising by 4.8% a year, and performance in delivering the nine care processes and achieving the three treatment standards, which help to minimise the risk of diabetes patients developing complications in the future, has stalled. In addition, very few new diabetes patients are taking up education that could help them manage their condition, and the number of diabetes patients experiencing complications (which account for over two-thirds of the cost of diabetes to the NHS) continues to rise.

This all means that the costs of diabetes to the NHS will continue to rise. In order to control these costs, the Department and NHS must take significant action to improve prevention and treatment for diabetes patients in the next couple of years.

On the basis of a report by the NAO, the Committee took evidence, on 16 November 2015, from the Department of Health, NHS England and Public Health England. The Committee published its report on 22 January 2016. This is the Government response to the Committee's report.

##### Background resources

- NAO Report: *The management of adult diabetes services in the NHS: progress review* Session 2015-16 (HC 489)
- PAC Report: *Management of adult diabetes services in the NHS: progress review* Session 2015-16 (HC 563)

##### **1: Committee of Public Accounts conclusion:**

***There are unacceptable variations in the take up of education programmes, delivery of recommended care processes, achievement of treatment standards and in outcomes for diabetes patients.***

##### **Recommendations:**

- ***The Department and NHS England should by April 2016, use the new diabetes data available in January to identify those clinical commissioning groups that are performing poorly in comparison to the national average and establish interventions to help them improve their performance.***
- ***The Department and NHS England should by July 2016, set out a timetable to reduce geographical variations and variations between different patient groups.***
- ***The Department and NHS England should clarify which diabetes targets remain in place.***
- ***The Department and NHS England should develop a strategy for sharing best practice, including on using GP IT systems effectively to support the delivery of diabetes care, and report back to us within six months.***

1.1 The Government accepts the Committee's recommendations.

**Target implementation date:** March 2017.

1.2 NHS England's new Clinical Commissioning Group (CCG) Improvement and Assessment Framework (IAF), which will be subject to independent assurance, will make it a priority for CCGs to tackle variation in levels of care for people with diabetes. An initial assessment of CCG performance will be available by June 2016.

1.3 NHS England will invest in developing a regional delivery structure during 2016-17 to support improvements in diabetes management and care in line with the indicators in the CCG IAF, together with the sharing of best practice. Where local areas plan to deliver improvements across diabetes pathways between October 2016 and March 2021, these will be reflected in local health systems' sustainability and transformation plans.

1.4 The Government's mandate to NHS England sets out the specific goals on diabetes that, by 2020, 100,000 people a year will be supported to reduce their risk of diabetes through the NHS Diabetes Prevention Programme and a measurable reduction in variation in the management and care for people with diabetes will be achieved.

1.5 NHS England is exploring the potential for developing specific diabetes related data set extracts by GP practice, together with improved diabetes data reporting arrangements for GPs, and will report back to the Committee within six months.

**2: Committee of Public Accounts conclusion:**

*The Department and NHS England have allowed a system to develop that has reduced GP practice participation in the National Diabetes Audit, potentially undermining one of the most comprehensive clinical audits in world.*

**Recommendation:**

*NHS England should make it mandatory for GP practices to submit data for the National Diabetes Audit and should report back to the Committee on progress by the end of 2016.*

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

2.2 NHS England agrees that good participation in clinical audits is essential to provide meaningful and robust data about patient care and outcomes. The National Diabetes Audit (NDA) is a voluntary audit, with GP participation reaching 88% in 2011-12. Reflecting the recommendations of the Confidential Advisory Group on the collection of patient level data, since 2013-14, GPs have been required to opt into a system of providing data from their patient records for clinical audits rather than opting out as before. As a result, GP participation in the NDA has fallen. This issue will be considered by the Department of Health in the broader context of implementing the new consent/data objections model, proposed by Dame Fiona Caldicott as part of the Information Governance Review.

2.3 In the meantime, NHS England will, however, seek to improve rates of GP participation in the audit, including working with system suppliers to make it easier for GPs to participate; exploring the scope for incentivising GP participation; and considering how NDA participation might be reflected in the CCG IAF.

**3: Committee of Public Accounts conclusion:**

*The Committee welcome the introduction of the new NHS Diabetes Prevention Programme but, by itself, this will not be enough to stem the rising number of people with diabetes.*

**Recommendation:**

*NHS England and Public Health England should, by April 2016, set out a timetable to ramp up participation in the national diabetes prevention programme to 100,000 people a year, set out what it will cost, and how the programme will target those areas with the highest prevalence of diabetes. Public Health England should also set out how its other public health activities, such as marketing campaigns, will contribute to preventing diabetes.*

3.1 The Government accepts the Committee's recommendation.

**Target implementation date:** April 2016.

3.2 Phased roll-out of the NHS Diabetes Prevention Programme will begin from April 2016 in eight areas, with further waves of expansion to follow by end September 2016. By September, NHS England expects to be working with organisations in around 30 local areas, collectively covering a population of around 25 million people. As set out in NHS England's 2015-16 business plan, there will be a comprehensive plan for roll-out in place by March 2016.

3.3 In March 2016, Public Health England (PHE) launched One You, an integrated social marketing campaign to engage adults in making changes to improve their own health and so help them reduce the risk of conditions like diabetes. The programme will speak holistically to adults in mid-life encouraging them to make a number of lifestyle changes including taking more exercise, improving diet, stopping smoking and reducing alcohol consumption.

**4: Committee of Public Accounts conclusion:**

***Current payment mechanisms do not incentivise secondary and primary care clinicians to work together to deliver integrated diabetes care.***

**Recommendation:**

***Whilst vanguard sites are testing new models of delivery, NHS England and Monitor should examine whether the current tariff arrangements support secondary and primary care clinicians to deliver integrated diabetes care. If they are a barrier to integrated care, NHS England and Monitor should develop a proposal in the next 12 months on how to resolve this.***

4.1 The Government accepts the Committee's recommendation.

**Target implementation date:** March 2017.

4.2 NHS England and Monitor are working closely together to ensure that the payment system supports service developments in the vanguard sites (including those where integrated diabetes care is a focus) as well as monitoring local innovative approaches to supporting integrated care taken by some CCGs. This is to ensure that the payment system keeps abreast with the development of future service models and is not a barrier to the development of new models of care.

4.3 Specifically, NHS England will initiate, with Diabetes UK and other partners, a review of the incentives and funding arrangements for diabetes, including consideration of the current tariff arrangements, with a view to delivering greater alignment between the financial incentives for primary and secondary care. This review will report during 2016-17.

**5: Committee of Public Accounts conclusion:**

***Few newly diagnosed diabetes patients are taking up education programmes that can help them manage their condition effectively and reduce their risk of developing complications.***

**Recommendation:**

***NHS England needs to develop a better and more flexible range of education support for diabetes patients and set out by when this support will be available. To support the development of education services, NHS England also needs to improve the quality of data on take up of education programmes.***

5.1 The Government accepts the Committee's recommendation.

**Target implementation date:** March 2017.

5.2 There are incentives in place to increase referrals to structured education through the Quality and Outcomes Framework and the best practice tariff for diabetic ketoacidosis and hypoglycaemia emergency admissions. The National Institute for Health and Care Excellence quality standard for diabetes also highlights the need for people with diabetes to receive structured education. Over the last two years, referrals have increased from 31,482 to 120,824 but that has not been matched by a similar increase in the number of people attending structured education programmes. The CCG IAF, for which initial data will be published in June 2016, is likely to contain an indicator on access to and take up of structured education. This should further increase participation and improve the quality of the data.

5.3 The Department and NHS England are keen to explore whether digital delivery of structured education could increase access. Advice on using social media, texts and video consultations to keep young people engaged in treatment for their diabetes has recently been published to help commissioners improve care transition. Also, a randomised control trial is currently being undertaken on an online programme to improve self-management skills in people with Type 2 diabetes. Subject to the evaluation, which is expected by August 2016, the Department and NHS England will evaluate the cost-effectiveness of these services.

**6: Committee of Public Accounts conclusion:**

*Diabetes specialist staffing levels in hospitals are not keeping pace with the increasing percentage of beds occupied by diabetes patients.*

**Recommendation:**

*Given that the level of diabetic specialists in hospitals is unlikely to rise in the short term, NHS England should ensure that all clinical staff have at least a basic level of training and knowledge about diabetes so that these patients can receive the best care possible given the limitation on resources.*

6.1 The Government does not accept the Committee's recommendation. However, the Government agrees with the intention behind the Committee's recommendation.

6.2 Health Education England (HEE) is responsible for the planning and delivery of education and training resources to the health care workforce who are employed, or who are considering becoming employed, in the health service in England. HEE continues to invest in diabetes education and currently offers a large number of diabetes specific electronic learning materials as well as specific courses which cover diabetes related complications. It also funds e-learning Type 2 diabetes study days for primary care, community pharmacists and technicians. These resources are provided by HEE at no cost for staff and employers and ensure that all staff can access learning to meet the needs of patients. Additional education and training for clinical staff in a post-registration environment are the responsibility of their employer.

6.3 By engaging with delivery partners such as the Royal Colleges, NHS Employers and NHS England (among others), HEE will encourage the use of these free resources to help ensure that the right staff access learning to meet the needs of patients. HEE will also continue to make improvements in the quality of education and training for a workforce that continues to grow and needs to meet the demands and aspirations of patients.

## Eighteenth Report of Session 2015-16

### Department for Work and Pensions

#### Automatic Enrolment to workplace pensions

##### Introduction from the Committee

Automatic enrolment aims to reverse the long-term decline in the number of people saving into a workplace pension. Employers will have to enrol workers into a workplace pension scheme if they are working in the UK, earn more than £10,000 per year, are over 22 years old and are under State Pension Age. Workers can choose to opt out, but automatic enrolment builds on evidence of inertia in people's savings decisions to encourage more people to save for retirement. By the end of August 2015, 58,000 employers had enrolled 5.4 million people into a new workplace pension. Opt out rates have been between 8% and 14%; significantly below the Department's expectations. From January 2016, automatic enrolment will be extended to 1.8 million small employers. Minimum contribution rates are set to rise from 2% of qualifying earnings (currently) to 5% from April 2018, and then to 8% from April 2019.

The Department for Work & Pensions designs the policy and manages the programme, The Pensions Regulator provides guidance to employers and ensures compliance with automatic enrolment rules, and the National Employment Savings Trust (NEST) runs a pension scheme available to all employers, as do several other providers.

On the basis of a report by the NAO, the Committee took evidence, on 23 November 2015, from the Department for Work and Pensions, the Pensions Regulator, and the National Employment Savings Trust (NEST) on the automatic enrolment programmes. The Committee published its report on 27 January 2016. This is the Government response to the Committee's report.

##### Background resources

- NAO Report: *Automatic Enrolment to workplace pensions* - Session 2015-16 (HC 417)
- PAC Report: *Automatic Enrolment to workplace pensions* - Session 2015-16 (HC 581)

##### **1: Committee of Public Accounts conclusion:**

***The Department has successfully implemented automatic enrolment for larger employers, but the real test is still to come.***

##### **Recommendation:**

***The Department should write to us in 12 months setting out progress in implementing automatic enrolment for smaller employers, and with an update on progress against the specific recommendations the Committee make below.***

1.1 The Government accepts the Committee's recommendation.

**Target implementation date:** January 2017.

1.2 The Department fully recognises that the Programme has now entered its most challenging phase with the large volumes of small and micro employers undertaking their automatic enrolment duties from January 2016 onwards. The Department appreciates that some smaller employers are more similar in their behaviour to individuals than businesses, and may therefore require more or different support to help them undertake automatic enrolment requirements.

1.3 In preparation for this, significant work was undertaken throughout 2015 to improve processes specifically for smaller employers; including the redesign of online services to make the compliance process as straightforward as possible and the introduction of a new communications campaign; to help raise awareness among smaller employers. The Department will track and publish progress in implementing automatic enrolment among smaller employers throughout the year. Updates will be included in the Pensions Regulator's Blue Book in July 2016 and in the next annual Programme Evaluation Report in November 2016.

1.4 The Department will report on progress to implement these recommendations in the Treasury Minute – progress on implementing accepted recommendations of the Committee in January 2017.



**2: Committee of Public Accounts conclusion:**

*The Pensions Regulator does not yet have access to the real-time information that would help smooth the roll-out to smaller employers.*

**Recommendation:**

*The Pensions Regulator should ensure that it has developed a fully functioning RTI feed from HMRC by July 2016 at the latest and ensure it has stepped up active policing of compliance.*

2.1 The Government accepts the Committee's recommendation.

**Target implementation date:** July 2016.

2.2 The Pensions Regulator (TPR) is working with HMRC to investigate the scope to use Real Time Information (RTI) to better target enforcement and communication activity. This work is progressing with the initial phase focused on investigating data quality. The aim is to get an initial feed of RTI data by July 2016, and to develop an automated system-based solution to support compliance over the longer term.

2.3 TPR is continuing to develop its compliance activity. TPR investigates every employer that fails to declare compliance on time. TPR also has a whistleblowing facility and monitors on-going contributions into workplace pensions under the Maintaining Contributions Codes of Practice. In 2016, TPR will be increasing proactive enforcement activity including compliance validation checks in target risk areas.

**3: Committee of Public Accounts conclusion:**

*We are concerned about the potential burden on small employers. Smaller employers have fewer resources to administer automatic enrolment and simplifying the process will be critical to the success of the programme.*

**Recommendation:**

*The Department should closely monitor the experience of small employers and consider ways to simplify online tools which allow the easy exporting of people's own data.*

3.1 The Government accepts the Committee's recommendation.

**Recommendation implemented.**

3.2 The Department is closely monitoring the experience of smaller employers and working with delivery partners to refine the automatic enrolment support that is available to employers.

3.3 Steps have been taken to streamline online processes, for example to drive adaptation of payroll software to support the operation of automatic enrolment. The Department will continue to work with a number of sectors to support the development of products to help compliance, including by exploiting existing data.

3.4 The Pensions Regulator (TPR) has developed online help for small employers who do not have the same level of infrastructure as larger employers including guidance on the support that employers can get from their existing payroll software. For employers that do not use payroll software, TPR has introduced a Basic Assessment Tool to calculate automatic enrolment contribution rates.

3.5 The National Employment Savings Trust (NEST) has been designed to be an online intuitive service. Many employers can now run their pension scheme through their payroll software whether they are using NEST or another scheme. Arrangements for customer support vary between schemes but many, including NEST, offer employers live help via web chat, phone support and extensive online help.

**4: Committee of Public Accounts conclusion:**

*Automatic enrolment is being implemented in parallel with wider reforms affecting the long term adequacy of retirement incomes, and its success must be reviewed in that context.*

**Recommendations:**

*The Department should report to us in 12 months on the scope and progress of its planned review of automatic enrolment, factoring in the wider reforms and potential impact on retirement incomes.*

4.1 The Government accepts the Committee's recommendation.

**Target implementation date:** January 2017.

4.2 The Government has legislative commitments to review specific aspects of automatic enrolment in 2017. These include a review of the National Employment Savings Trust constraints which the Department has already legislated to lift in 2017, operation of the charge cap for qualifying schemes, quality requirements for defined benefit schemes and how the certification requirements are working. The Government is committed to a broader review of automatic enrolment in 2017, at the discretion of the Secretary of State. The Government intends to work with interested stakeholders to determine the scope of the review.

4.3 The review will consider how to build on the success of the Programme to normalise pension saving, working closely across Government to monitor the way that automatic enrolment interacts with wider pension and welfare reforms that may impact on retirement incomes. The Department will report on the scope and progress of its planned review in the Treasury Minute – progress on implementing accepted recommendations of the Committee in January 2017.

**5: Committee of Public Accounts conclusion:**

*The Department has not yet resolved important operational questions affecting the value of workplace pensions.*

**Recommendation:**

*The Department should set out a clear timetable to clarify how smaller pension pots are to be treated. It must decide on an approach for helping employees with numerous small pension pots to understand the overall value of their future retirement income.*

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

5.2 The introduction of the new State Pension, the continued implementation of automatic enrolment and the introduction of the pensions flexibilities are all major reforms to pension saving. The Government, providers, employers and members need to focus on these reforms to ensure their success.

5.3 The Department has decided that the time is not right to implement a system of automatic consolidation of small pension pots. The market needs time and space to fully implement the other reforms underway and the future pensions market could look different from the current one. It is important that any system of automatic consolidation is long-lasting and reflects that future landscape. The question of small pots will be revisited once the market has adjusted. Members still have a right to request a member-initiated transfer if they want to move their pots when they change jobs or leave the labour market.

**6: Committee of Public Accounts conclusion:**

*NEST does not know when it will pay back its loan, or how much this will eventually cost the taxpayer*

**Recommendation:**

*The Department should report to us in 12 months with an update on when NEST will repay its loan.*

6.1 The Government accepts the Committee's recommendation.

**Target implementation date:** January 2017.

6.2 At this stage, there continues to be a high level of uncertainty in regards to the exact amount and length of the loan as this will ultimately depend on a range of factors including the nature and size of the National Employment Savings Trust's (NEST) membership, prevailing macroeconomic conditions and Government decisions about the operation of the wider pensions framework. Once NEST's revenues from charges exceed its annual running costs, it will begin to repay the loan. NEST Corporation will continue to publish its annual report and accounts, and the NEST Pension Scheme's annual report.

6.3 The Department will update the Committee regarding NEST's financial position and loan repayment in the Treasury Minute – progress on implementing accepted recommendations of the Committee in January 2017.

**7: Committee of Public Accounts conclusion:**

*The Department has yet to decide on how it will restrict the charges that providers can levy.*

**Recommendation:**

*The Department should ensure that scheme regulation, charge caps and disclosure requirements cover all relevant costs to customers and commit to ensuring that charges remain low by international benchmarks*

7.1 The Government accepts the Committee's recommendation.

**Recommendation implemented.**

7.2 The Government has introduced a cap on charges in the default funds of schemes used for automatic enrolment, and will review in 2017 whether the level of the cap should change. Trustees of occupational pension schemes are now required to assess costs and charges, including transaction costs, and to confirm whether these represent value for money as part of the annual Chair's Statement. Independent Governance Committees are required to report annually on the value for money offered by workplace personal pension schemes, including costs and charges and transaction costs.

7.3 The Department is committed, in line with the duties of the Pensions Act 2014, to make regulations which require information on transaction costs to be given to members, and for costs and charges to be published. As part of the 2017 review, a range of evidence including pension charges levels in other countries will be assessed.

## Nineteenth Report of Session 2015-16

### Department for Work and Pensions

#### Universal Credit: progress update

#### Introduction from the Committee

In February 2015 the previous Committee of Public Accounts published *Universal Credit: progress update*, based on evidence from the Department for Work & Pensions (the Department) and HM Treasury, and a report by the Comptroller and Auditor General. The Department accepted the Committee's recommendations. However, we felt that the Department's responses were rather weak and lacked specifics, and we were not convinced that it is committed to ensuring there is real clarity on this important programme's progress. As a result, we recalled both the Department and HM Treasury to discuss a number of issues that concerned us, particularly around the business case, the continuing risks of delay, and the lack of transparency and clear milestones.

On the basis of a report by the NAO, the Committee took evidence, on 7 December 2015, from the Department for Work and Pensions, along with the Treasury, on progress with Universal Credit. The Committee published its report on 3 February 2016. This is the Government response to the Committee's report.

#### Background resources

- NAO Report: Universal Credit - progress update – Session 2014-15 (HC 786)
- PAC Report: Universal Credit - progress update – Session 2014-15 (HC 810)
- Treasury Minutes: July 2015 (Cm 9091)
- PAC report: Universal Credit: progress update - Session 2015-16 (HC 601)

#### 1: Committee of Public Accounts conclusion:

***The Universal Credit business case has not been updated to take account of the significant changes to tax credits made in the recent Spending Review and Autumn Statement***

##### **Recommendations:**

***By May 2016 the Department should publish – and the NAO review – a clear explanation of how the Universal Credit business case has changed since the Committee last reported on the programme, including the effects of the Autumn Statement and transitional protection. The Department should also set out clearly for claimants what the rules around transitional protection will be.***

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

1.2 In line with general Government practice, the Department does not publish business cases. However, the Department has shared the Outline Business Case with the National Audit Office. The next update to the Universal Credit Business Case will be made as part of the Full Business Case process in autumn 2017.

1.3 The Government's intention to reduce expenditure on welfare - including in-work support - by £12 billion was a manifesto commitment that would be progressed regardless of whether policy changes had been made via tax credits or Universal Credit. So the counterfactual against the Universal Credit business case is a reformed legacy benefits and tax credits system. Furthermore, the original case for Universal Credit remains. The Programme is expected to generate large positive economic benefits from increased employment, reduced fraud and error and increased sensitivity to earnings, and reduced administration costs.

1.4 The cost of increased transitional protection due to decisions made at Autumn Statement was included in the Office for Budget Responsibility's (OBR) Economic and Fiscal Outlook published on the same date. The Department has also provided the Committee, in January 2016, with a written

explanation of the transitional protection arrangements.<sup>2</sup> The Department agrees with the Committee on the importance of communicating these changes to customers and will be working closely with representative and partner organisations prior to the beginning of migration of existing claims in June 2018.

## **2: Committee of Public Accounts conclusions:**

***Universal Credit has been further delayed, which postpones its expected benefits***

### **Recommendation:**

***The Department should set out clearly how it is tracking the costs of continuing delays, and who is responsible for ensuring benefits are maximised.***

2.1 The Department accepts the Committee's recommendation.

### **Recommendation implemented.**

2.2 The Senior Responsible Officer (SRO) is responsible for tracking and maximising the benefits of the programme. The extensive evaluation programme will help the SRO identify what is being delivered, and where adjustments would likely deliver yet further benefits. This "test and learn" approach is integral to the safe delivery of the programme, and was commended by the Infrastructure and Projects Authority during their Health Check in April 2015. Details of the evaluation programme and all reports will continue to be published on Gov.uk.

2.3 The decisions the Department has made about rescheduling the roll out plans for Universal Credit have resulted in the confidence in delivery rising from Amber Red to Amber. Changes to the Universal Credit roll out schedule do not affect Universal Credit's steady state policy position. Universal Credit will still get more people in work; deliver AME savings from reduced fraud and error, and administrative savings.

2.4 As part of the fiscal events process, the Department provides the OBR with detailed costings to enable them to model any impact changes in the Universal Credit rollout schedule will have on their forecasts within the Economic and Fiscal Outlook.

## **3: Committee of Public Accounts conclusion:**

***The programme's lack of clear and specific milestones creates uncertainty for claimants, advisers, and local authorities, and makes it difficult for Parliament and taxpayers to hold the Department to account.***

### **Recommendations:**

***By May 2016, the Department should set out and report publicly against a wider set of clearly stated milestones, based on ones it currently uses as internal measures, including plans for different claimant groups, local authority areas and for the development and use of new systems. The Committee has set out the areas it expects these milestones to cover in an appendix to this report.***

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

3.2 The Department agrees with the Committee that more information should be provided and has already written to the Committee on the locations and dates at which Universal Credit will be rolled out during 2016. The Department will follow this, in the autumn 2016, with the schedule of locations for the remainder of the roll out to all new claimants. Detailed plans for the remaining stages of roll out, covering the migration of existing claimants need first to be agreed with the other agencies involved in delivering Universal Credit.

3.3 The Department will publish more detail which will support external scrutiny. The Department will seek to strike a balance between the burden of reporting and further enquiries that can bring on the finite resources of the Programme and the requirement to be open to scrutiny.

<sup>2</sup> <http://www.publications.parliament.uk/pa/cm201516/cmselect/cmpublicacc/601/601.pdf>

**4: Committee of Public Accounts conclusion:**

*The Department's contingency plan for problems with the digital service is to delay the programme further, which may increase costs.*

**Recommendation:**

*By May 2016, the Department should publicly set out the main risks to the programme, its proposed contingencies and an assessment of the impact of these on costs and services to claimant.*

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

4.2 The Department has already developed assessments of risks and their likelihood, their costs and what might be done to mitigate these. The Government does not publish its internal assessment of risks on any major programme because it believes that the proper conduct of business and the frankness of advice could be constrained by such a policy.

4.3 The Universal Credit Programme has developed a number of contingencies beyond delaying the introduction of the service – clearly it is easier to deploy them where volumes are low, which is why the roll-out plan for 2016 begins with five jobcentres a month and rises to 50 a month from February 2017. The Department builds contingency into the plan, but it is important to recognise that developing a full contingency would necessitate creating a completely parallel scheme, which would be very expensive and raise questions about value for money.

**5: Committee of Public Accounts conclusion:**

*The Department has an extensive evaluation programme but the impacts on claimants remain very uncertain.*

**Recommendations:**

*The Department should explain clearly how actual employment impacts and rates of alternative payment arrangements compare with the exceptions set out in its recently approved outline business case. As Universal Credit rolls out to a wider range of people and locations, the Department should significantly broaden the base of its evaluations and regularly update its assessment of the programme's costs and benefits to take account of this.*

5.1 The Department accepts the Committee's recommendation.

**Target implementation date:** Spring 2020.

5.2 The Department is pleased that the Committee recognises the encouraging nature of the first results from Universal Credit. Jobseeker's Allowance (JSA) is already internationally recognised as one of the most effective labour market interventions in the world by organisations such as the Organisation for Economic Co-operation and Development. So to get early results from Universal Credit that out-perform those from JSA is encouraging.

5.3 It is too early to assess how these initial impacts on claimant behaviour will translate into a steady state effect on the UK labour market (the currency in which the business case benefits are estimated) - but that is why an extensive, multi-year evaluation is in place, with all the results peer reviewed. The Department is committed to broadening out the evaluation, including to more claimant types, as Universal Credit rolls out.

5.4 Departmental statisticians will publish information on alternative payment arrangements when the new series is sufficiently mature to pass the quality thresholds for official statistics. The business case assumptions are for steady state, across all claimant types, so a final assessment will be made at the completion of the Programme.

## Twentieth Report of Session 2015-16

### Department of Health

### Cancer Drugs Fund

#### Introduction from the Committee

More than 1 in 3 people in England will now develop cancer in their lifetime. In 2013 around 293,000 people were diagnosed with cancer. Although GPs are referring more people for further investigation and early diagnosis, one-in-five cancer patients is still diagnosed following an emergency presentation at hospital, rather than via routine screening or referral to hospital. Chemotherapy (the use of cancer drugs), along with surgery and radiotherapy, are commonly used to cure cancer, prolong life and alleviate symptoms for cancer patients. All cancer drugs must receive a marketing authorisation, confirming their quality, safety and medical effectiveness, before they can be prescribed by NHS clinicians. For drugs to be available routinely to patients on the NHS, they must also be recommended by NICE, which appraises their clinical and cost-effectiveness.

The Government set up the Cancer Drugs Fund (the Fund) in October 2010 to improve access to cancer drugs that have not been appraised by NICE, are still being appraised by NICE, or have not been recommended by NICE because they do not meet its clinical and/or cost-effectiveness thresholds. The Fund was initially managed for the Department of Health (the Department) by the then 10 strategic health authorities, and expected to run until March 2014, with a total budget of £650 million. Since April 2013, the Fund has been managed by NHS England. In 2013, the Government extended the Fund until March 2016. The Fund now has a total lifetime budget of £1.27 billion. In April 2015, 39 cancer drugs, covering 67 different licensed uses (which are called indications), were available through the Fund.

On the basis of a report by the NAO, the Committee took evidence, on 30 November 2015, from the Department of Health, NHS England, the National Institute for Health and Care Excellence (NICE) and the chair of the national Cancer Drugs Fund clinical panel. The Committee published its report on 5 February 2016. This is the Government response to the Committee's report

#### Background resources

- NAO report: Investigation into the Cancer Drugs Fund - Session 2015-16 (HC 442)
- PAC report: Cancer Drugs Fund - Session 2015-16 (HC 678)

#### 1: Committee of Public Accounts conclusion:

**The Department and NHS England have not managed the Fund effectively**

##### **Recommendation:**

***In putting in place arrangements for the new Fund to be established from April 2016, NHS England should set clear objectives for what the Fund is seeking to achieve, and be prepared to take tough decisions to ensure that the Fund does not overspend.***

1.1 The Government accepts the Committee's recommendation.

**Target implementation date:** July 2016.

1.2 NHS England and NICE publically consulted on proposals for the future of the Cancer Drugs Fund (CDF) post April 2016. The consultation closed on 11 February 2016. The consultation set out clear objectives that NHS England considered the CDF should achieve: appraisal of all cancer drugs that are expected to receive a Marketing Authorisation; managed access with defined entry and exit criteria; and financial control mechanisms such as commercial agreements to maintain expenditure within a fixed budget.

1.3 The new Fund will start in July 2016 and will resolve uncertainty regarding the key longer term outcomes of licensed indications of cancer drugs. Pharmaceutical manufacturers have the opportunity to align these outcomes with appropriate reimbursement arrangements. NICE will make recommendations as to the clinical and cost effectiveness of these drugs so that NHS England can make commissioning decisions on the basis of certainty. It will also provide interim access to drugs with a positive draft NICE recommendation.

## **2: Committee of Public Accounts conclusions:**

***There is no assurance that the Department and NHS England are using their buying power effectively to pay a fair price for cancer drugs, including drugs paid for through the Fund.***

### **Recommendation:**

***The Department should set out how it ensures that it pays a fair price for drugs and that the limit in the Pharmaceutical Price Regulation Scheme provides value for money for the taxpayer. The Department should also outline lessons that can be drawn from the Fund's negotiations with the pharmaceutical companies about the prices paid for cancer drugs and whether more flexible pricing arrangements covering a number of medicines could improve value for money.***

2.1 The Government accepts the Committee's recommendation.

2.2 The 2014 Pharmaceutical Price Regulation Scheme (PPRS) is a voluntary agreement between the Department of Health (on behalf of the UK Government and Northern Ireland) and the Association of the British Pharmaceutical Industry. It aims to secure the provision of clinically and cost-effective branded medicines at affordable cost to maximise outcomes for patients while delivering value for money. The agreement ensures that the prices of medicines available at the end of 2013 remain flat on average until the end of 2018. In addition, it also applies a fixed limit on the majority of NHS spend on branded medicines with additional expenditure above this level paid for by the pharmaceutical companies. Up to 2015, the 2014 PPRS has resulted in £1.15 billion of PPRS payments from industry which represents good value for money.

2.3 The Department considers that there is a limit to the wider lessons which could be drawn from the discussions which have taken place between NHS England and pharmaceutical companies about the amounts paid for medicines within the Fund under the current arrangements, given the limitations of the existing Fund. The current CDF is being reformed – commencing July 2016, which will take into account lessons learned by NHS England from the existing Fund.

2.4 NICE provides evidence-based guidance for the NHS on the clinical and cost effectiveness of new treatments. Under the new approach proposed for the Fund, NICE will make recommendations on whether new treatments should be included in the Fund. The PPRS already includes two pricing flexibility mechanisms, flexible pricing and patient access schemes (PAS), as options for companies in the context of NICE appraisals. PAS have enabled NICE to recommend a number of drugs which would be unlikely to be routinely available to NHS patients without a PAS. However, the PPRS notes that a PAS should only modify the cost of a single product. This is because of potential legal and methodological issues, and transparency concerns, which could arise with any 'multi-product' pricing arrangement.

2.5 The Accelerated Access Review is considering how access for NHS patients to innovative and cost effective new medicines, diagnostics, medical technologies and digital products could be speeded up. While the review will not change the 2014 PPRS, it is considering the extent to which existing flexibilities and incentives for innovative medicines could be better used to overcome barriers, and exploring the potential for pricing flexibilities to provide greater value for money for innovative drugs, including cancer drugs, in future. The Review's recommendations are expected in Spring 2016.

## **3: Committee of Public Accounts conclusion:**

***It is unacceptable that the Department and NHS England still do not have data to evaluate the impact of the Fund on outcomes for patients five years after the Fund was set up***

### **Recommendations:**

***NHS England should report back to the Committee, by June 2016, on what the available data indicate about the impact of the Fund on patient outcomes. They should also include details of the completeness of the data for 2015–16 and, if necessary, what is being done to make the data more complete.***

3.1 The Government accepts the Committee's recommendation.

**Target implementation date:** September 2016.



3.2 NHS England has continued to engage actively with Public Health England on outcomes data for CDF drugs. NHS England will report back to the Committee in September 2016 regarding the completeness of the data submitted to Public Health England in 2015-16 and any action it needs to take to ensure full compliance by NHS Trusts for data submissions for the Fund. The Fund will also report the mature outcome data that Public Health England is able to report.

**4: Committee of Public Accounts conclusion:**

*It is unclear how far regional variations in access have been reduced so that people across the country have equal access to the Fund.*

**Recommendation:**

*NHS England should analyse the extent of regional variation in access to the Fund, using data on patient location, and report back to the Committee by March 2016. If significant variation between areas exist, NHS England should set out how it plans to ensure that access to the new Fund is fair across the country*

4.1 The Government accepts the Committee's recommendation.

**Target implementation date:** May 2016.

4.2 From April 2013, the Cancer Drugs Fund moved to a national system, from the original 10 regional systems. This eliminated any regional variation in the arrangements for the Fund that previously existed. NHS England will provide a report to the Committee in May 2016 of its analysis of variation in access to the Fund according to the locations of patients. It will also report on its findings as to any geographical variation in CDF use across England.

**5: Committee of Public Accounts conclusion:**

*It is not clear whether NICE has the capacity to evaluate all new cancer drugs, as envisaged in the proposals for the new Fund*

**Recommendation:**

*As a matter of urgency, NHS England and NICE should set out the resource implications of implementing the proposed new arrangements for the Fund and assess specifically whether NICE has the capacity to appraise all new cancer drugs within the proposed timeframes.*

5.1 The Government accepts the Committee's recommendation.

**Target implementation date:** June 2016.

5.2 NHS England has been discussing with NICE the resource requirements needed to ensure it has sufficient capacity to deliver the additional technology appraisals arising from the CDF consultation proposals whereby they would in future appraise all new licensed cancer drugs. Subject to finalising the resource requirement and this being made available, NICE has confirmed that they are confident that they will be able to deliver the required number of appraisals and to the timescales envisaged in the consultation proposals.

**6: Committee of Public Accounts conclusion:**

*Survival rates for cancer patients in England continue to lag behind those of similar countries, partly because of shortcomings in diagnostic services*

**Recommendations:**

*NHS England should put in place a clear plan to ensure that the NHS has sufficient diagnostic capacity, including appropriately trained staff, to improve early diagnosis of cancer.*

6.1 The Government accepts the Committee's recommendation.

**Recommendation implemented.**

6.2 The independent Cancer Taskforce published its report, *Achieving World-Class Cancer Outcomes* in July 2015 and recommended a comprehensive review of the workforce requirements to deliver world-class cancer diagnosis and care, alongside the creation of a new diagnostic capacity fund to target investment to improve earlier diagnosis of cancer.

6.3 Cally Palmer, Chief Executive of the Royal Marsden NHS Foundation Trust has been appointed National Cancer Director, and a new cross-system Cancer Transformation Board, including representation from Arms-length Bodies including NHS England and Health Education England (HEE), has been established to oversee the implementation of the taskforce recommendations.

6.4 In addition, HEE has established a scheme to support the training of up to 200 new non-medical endoscopists (NMEs) to increase the available workforce in endoscopy. The first cohort of 16 NMEs began training in January 2016 and the Department expects the first new NMEs to be available for service provision by July 2016.

## List of Treasury Minutes 2015-20<sup>3</sup>

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

### Session 2015-16

Committee Recommendations: 138<sup>4</sup>  
 Recommendations accepted: 115 (83%)  
 Recommendations not accepted: 23 (17%)

Publication Date	PAC Reports	Ref Number
December 2015	Government response to PAC reports 1 to 3	Cm 9170
January 2016	Government response to PAC reports 4 to 8	Cm 9190
March 2016	Government response to PAC reports 9 to 14	Cm 9220
March 2016	Government response to PAC reports 15-20	Cm 9237
April 2016	Government response to PAC reports 21-26	Cm
May 2016	Government responses to PAC reports 27-33	Cm

## List of Treasury Minutes Progress Reports

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

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

<sup>3</sup> List of Treasury Minute responses for Sessions 2010-15 are annexed in the Government's response to PAC Report 52

<sup>4</sup> Recommendations up to March 2016









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