HM Treasury

Treasury Minutes

Government responses on the Thirtieth, the Thirty Fifth, the Thirty Seventh, and the Forty First to the Fifty Third reports from the Committee of Public Accounts: Session 2014-15

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Session 2014-15

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

Cm 9091 July 2015

TREASURY MINUTES DATED 16 JULY 2015 ON THE THIRTIETH, THE THIRTY FIFTH, THE THIRTY SEVENTH, AND THE FORTY FIRST TO THE FIFTY THIRD REPORTS FROM THE COMMITTEE OF PUBLIC ACCOUNTS: SESSION 2014-15

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Thirtieth Report of Session 2014-15

HM Revenue and Customs

Managing and replacing the Aspire contract

Introduction from the Committee (abridged)

The Aspire contract between HMRC and Capgemini is the Government's largest technology contract accounting for 84% of HMRC's total spend on information and communications technology (ICT). HMRC let this contract in 2004 for 10 years, but extended it in 2007 for a further 3 years to 2017. The main sub-contractors under the contract are Fujitsu and Accenture. The Aspire contractors maintain and, where necessary, replace ICT hardware and software and carry out new technology projects. The Aspire contract conflicts with current Government policy on how departments should buy technology.

In 2010, the Cabinet Office announced that long-term contracts with a prime supplier do not deliver optimal levels of innovation, value for money or pace of change. In 2014, the Cabinet Office announced new rules to limit the value, length and structure of ICT contracts. These state that no contract should exceed £100 million; that no single supplier should provide both services and systems integration to the same area of Government; and that existing contracts should not be extended without a compelling case. This is based on the view that smaller contracts should allow many more companies to bid, including SMEs, and provide an increase in competition which is expected to drive down costs.

On the basis of a report by the National Audit Office, the Committee took evidence on 27 October 2014 from HMRC, the Cabinet Office, and Capgemini on the replacement of HMRC's Aspire contract. The Committee published its report on 27 January 2015. This is the Government response to the Committee report.

Background Resources

- NAO report: Managing and replacing the Aspire contract – Session 2014-15 (HC 444)
- PAC report: Managing and replacing the Aspire contract – Session 2014-15 (HC 705)

1-3 and 5: Committee of Public Accounts conclusions

1: HMRC faces an enormous challenge in moving to a new contracting model by 2017 and appears overly complacent given the scale of the transformation required.

2: The end of the Aspire contract and the move to replace it with many more contracts and suppliers puts both the service HMRC provides to customers and tax collection at risk.

3: HMRC has been outmanoeuvred by suppliers at key moments in the Aspire contract, hindering its ability to get long term value for money.

5: The consequences of this transition failing are severe and HMRC and the Cabinet Office are jointly accountable for managing the risks to tax revenue and value for money.

Recommendations:

1: HMRC needs to move quickly to develop a coherent business case, setting out the commercial and operational model it intends to put in place to replace the Aspire contract. This should include a robust transition plan and budget.

2: As part of its business case, HMRC should identify the key risks to tax collection and customer service, both during transition and once operating its new model, and develop a strategy to mitigate them.

3: HMRC should develop a clear view of how the new model will support its long term vision for tax collection. It should take a consistent, whole-life approach to costs and benefits in both its commercial negotiations and in its management of contracts, so that the long-term objectives are both clearly articulated and properly supported.

5: HMRC and the Cabinet Office should jointly agree key milestones and warning flags leading up to the end of the contract in June 2017, with contingency plans that manage the risks to value for money should these milestones be missed. HMRC should provide a note to this Committee by the end of February 2015 setting out what plans, including contingencies, it has put in place to manage the transition.

1.1 The Government agrees with the Committee's recommendations.

Target implementation date: Autumn 2015.

1.2 The Department submitted a business case in December 2014, which includes details of the commercial and operational model it intends to establish to replace the Aspire contract, and provides a robust transition plan and budget.

1.3 This is going through extensive governance processes, including a comprehensive review by the Cabinet Office and the Treasury. The Department is expecting a Government decision by autumn 2015. Following this decision, HMRC will work collaboratively with the Cabinet Office to develop detailed transition plans, based on the scenario approved. Contingency plans have been developed and are being reviewed by Cabinet Office and the Treasury.

1.4 Through its Aspire Replacement Programme (ARP), the Department has considered a number of risks that could hamper or prevent the replacement of the Aspire contract. Ensuring operational continuity will be a key consideration in all ARP decisions up to 2017. The Department's plans for replacing the Aspire contract address risks to tax collection and customer service, as described in the business case and supporting plans.

4: Committee of Public Accounts conclusion
HMRC's experience in managing multiple ICT suppliers, the essential ingredient of the new approach, is limited.

Recommendation:
HMRC must produce a realistic plan setting out how it will recruit the necessary commercial, technical and operational skills in a market which is likely to be overheated, and act with pace to implement it.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2015.

4.2 The Department is already investing in IT, Digital, Security and Commercial staff and their professional skills. At a leadership level, it has recently externally recruited a new Director of Development, Test and Operations, a new Digital Transformation Director and interim Directors for Finance, Commercial, HR and Infrastructure Transformation for ARP. Working with the Crown Commercial Service, the Department is actively working to recruit a permanent Commercial Director.

4.3 The Department is employing more technical staff, and building a talent pipeline through industry placements for university graduates, apprentices and IT graduates. The Department is confident that the scale of the digital transformation it is undertaking makes it an attractive proposition for those with the skills it is looking for. Where necessary, the Department will use specialist external help from the market and across Government to get the skills needed through the transition to the new model. The Department is also assessing the technical capability of its current cadre of staff using the industry-standard Skills Framework for the Information Age (SFIA) tool. The Department will target learning and development spend to bridge the capability gap. The Department will have a formal people plan by autumn 2015 which will be clear about capability needs and costs.

6: Committee of Public Accounts conclusion
The Committee is not convinced that the Cabinet Office's 'red lines' on IT procurement, such as its restriction on any IT contracts over £100 million, are realistic in a business as large as HMRC's, or that transformation on this scale is achievable by July 2017.

Recommendation:
The Cabinet Office needs to help HMRC build the commercial and technical capability it needs, playing a strong coordinating role for Government by working with suppliers and managing the market. It should offer support to HMRC where it can, but also provide challenge and ensure that HMRC is actively managing the risks to tax collection.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 The Cabinet Office recognises that HMRC's IT contract is the largest in Government and is working collaboratively with HMRC to ensure it is replaced successfully. The Cabinet Office is fully involved in the department's Aspire Replacement Programme (ARP), with people working on all levels of governance. For example: The Government Chief Technology Officer and the Government Chief Commercial Officer are on the ARP Programme Board.

Thirty Fifth Report of Session 2014-15

Department of Health

Financial sustainability of NHS bodies

Introduction from the Committee

In 2013-14, the Department of Health allocated £95.2 billion to NHS England to pay for NHS services. NHS England allocated £65.4 billion of this to the 211 clinical commissioning groups in England, for them to commission health care services from hospitals and other healthcare providers on behalf of their local populations. At 31 March 2014 there were 98 NHS trusts and 147 NHS foundation trusts which provided community, mental health, acute and specialist health services. Monitor regulates NHS foundation trusts, and a new body, the NHS Trust Development Authority, supports NHS trusts that are yet to achieve foundation status. The Department has provided some £1.8 billion of additional cash support to NHS trusts and foundation trusts under financial stress between 2006-07 and 2013-14.

On the basis of a report by the National Audit Office, the Committee took evidence, on 19 November 2014, from the Department of Health, NHS England; Monitor; the NHS Trust Development Authority (TDA); Barking, Havering, and Redbridge University Hospitals NHS Trust; Barnet Clinical Commissioning Group; Medway Clinical Commissioning Group; and University Hospitals Coventry and Warwickshire NHS Trust. The Committee published its report on 3 February 2015. This is the Government response to the Committee's report.

Background resources

- NAO report: Financial sustainability of NHS bodies - Session 2014-15 (HC 722)
- PAC report: Financial sustainability of NHS bodies – Session 2014-15 (HC 736)

1: Committee of Public Accounts conclusion:
The savings required across the NHS will be difficult to achieve solely by continuing with the same approach used in recent years.

Recommendation:
NHS England and Monitor should collect consistent and detailed cost data across the NHS to use to set efficiency savings targets for NHS bodies and to assess whether changes to service provision, including new models of care, are achieving measurable and sustainable savings in practice.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: Summer 2015.

1.2 The existing reference cost collection system already provides some useful data, but requires significant improvement to ensure that the resource implications of any new models of care can be fully understood. Wholesale reform of the data collection system will take time, so steps are being taken in the short term to address weaknesses and in the longer term to introduce patient-level costing and collection.

1.3 Currently, detailed operational cost benchmarking work is being undertaken by the Department, which will allow the development of better metrics to inform tariff efficiency and to enable insight into operational efficiency at trust level. This work will conclude in summer 2015.

1.4 Patient–level costing is currently being used at variety of acute trusts across the country and Monitor is analysing the results of this. Subject to feedback from the sector, Monitor proposes a phased introduction to using patient-level costing across all providers with acute and ambulance trusts seeing the change by financial year 2018-19, mental health trusts by 2019-20 and community service providers by 2020-21.

2: Committee of Public Accounts conclusion:
More effective collaboration between local health bodies is needed to achieve better value for money.

Recommendation:
NHS England, Monitor and the NHS Trust Development Authority should require all local health economies to submit integrated strategic and operational plans that outline how they will implement locally the proposed new models of care. NHS England and Monitor should implement proposals for changing payment for healthcare, to incentivise the integration of services between local organisations by 2015-16.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2016.

2.2 NHS England, TDA and Monitor actively encourage and support providers and commissioners to look beyond their institutional boundaries to form partnerships, clinical networks and new models of care that cross their local health economy. The 2015-16 planning guidance, *Forward View into action* requires providers and commissioners within health economies to work together, sharing assumptions to ensure operational plans are aligned and jointly agreed prior to their submissions. The guidance demonstrates an alignment of timetables and expectations while retaining separate statutory responsibilities in line with the Health and Social Care Act 2012.

2.3 The proposals set out in the *NHS Five Year Forward View*, such as the delivery of care through new multi-specialty community providers and Primary and Acute Care Systems, will guide NHS England and Monitor's redesign of the NHS payment system from 2016-17. Current National Tariff rules already permit commissioners and providers to agree local variations to national prices or currencies - for example: to support innovative clinical treatments or to deliver integrated care pathways.

3: Committee of Public Accounts conclusion:
The current system of payment for emergency admissions hinders, rather than helps, secure the financial sustainability of NHS bodies.

Recommendation:
Monitor and NHS England should complete their review of the national payment system for emergency admissions promptly and implement the required changes within the next year including updating the 2008-09 baseline, taking into account the impact on patient care and the finances of organisations in deficit.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2016.

3.2 Monitor and NHS England are aware of concerns about payment for emergency admissions. Work has already begun to revise the payment system to support Urgent and Emergency Care networks that ensure patients receive the right care, at the right time, in the right setting. The ideas put forward in the discussion document, *Payment Options for Urgent and Emergency Care Networks* are being developed for preliminary testing by the sector from spring 2015. Options will be tested by at least two sites in 2015, with feedback from these sites guiding consultation proposals for future national tariffs, potentially as soon as 2016-17.

3.3 More immediately, and in light of objections to the 2015-16 tariff proposals, Monitor and NHS England have made an Enhanced Tariff Option available to providers. This offer will allow the marginal cost reimbursement for emergency hospital admissions to be increased from its current 30% to 70%. This 70% payment is retrospective to cover all volumes above the historically agreed local baseline.

3.4 Mechanisms already exist for updating the 2008-09 baseline on a local basis. Where a provider considers that there have been material changes in the local health economy that will have affected the baseline, the provider can request a formal review of the baseline and the commissioner must agree. If the review finds that material changes have taken place, then the baseline must be adjusted.

4: Committee of Public Accounts conclusion:
The Department is not making the most of cost saving opportunities.

Recommendation:
The Department should require NHS bodies to use agency staff within a national framework contract unless they can demonstrate clear value for money benefits from local negotiation, and benchmark the cost of agency staff within and outside the national framework;

The Department should support evaluation of alternative financing or operating options for costly private finance initiative schemes where there is a clear opportunity for improving value for money.

4.1 The Government agrees with the Committee's recommendations.

Recommendations implemented.

4.2 A series of measures designed to address excessive spending on agency staff will be introduced. They include a requirement for NHS bodies to procure agency staff from existing framework agreements, with off-framework arrangements only to be undertaken in exceptional circumstances and with approval from their relevant regulatory body; NHS Trusts and Foundation Trusts in receipt of financial support or in breach of their licence will have a ceiling put on the level of spend they are able to incur on agency staff; and the establishment of an hourly/weekly rate-cap, initially for nursing agency staff, before widening to other staff groups.

4.3 These measures will be introduced in July 2015 and fully in place by September 2015. NHS England, the Department of Health, Monitor and NHS Trust Development Agency are working together to develop, implement and monitor these measures.

4.4 The Department will support the evaluation of alternative financing in respect of private finance initiative (PFI) schemes using the government's standard appraisal techniques, which are based on calculating value for money and affordability for the public sector as a whole. However it is believed that, currently, it will not be possible to make such a value for money and affordability case for the majority of PFI schemes in the NHS.

Recommendation:
The Department should accelerate the disposal of surplus capital assets to release cash for upfront investment in new models of care.

4.5 The Government agrees with the Committee's recommendation.

Target implementation date: December 2015.

4.6 The NHS has identified over 150 sites that, over the coming five years, will become either surplus or potentially surplus to requirements. These have the potential to generate more than £700 million in receipts, which can be reinvested into frontline services. The Department will be expanding its surplus land team to work with NHS trusts and NHS foundation trusts with the largest and most complex sites, to ensure that they have the skills and expertise they need to dispose of existing surplus land quickly.

4.7 In addition, the Department will, through Community Health Partnerships and NHS Property Services, work with clinical commissioning groups to develop, with local healthcare providers, a strategic estates plan for every area. This will set out the estates requirements of all health providers over a 3-5 year period to identify ways in which land and buildings can be used more effectively.

4.8 The Department has recently updated the Secretary of State's guidance under section 42A of the *National Health Service Act 2006*, which sets out the basis on which interim financial support will be provided to NHS organisations. The guidance now requires providers in need of support to demonstrate the actions they have taken, or are planning to take to review their estate needs. The Department expects this to identify additional opportunities around releasing surplus land.

Recommendation:
The Department should examine the obligations it places on consultants who are trained at taxpayers' expense and then choose to work as temporary staff at extra cost to the NHS.

4.9 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2015.

4.10 It is a matter for NHS providers to decide how they will maintain safe and affordable staffing levels. Neither the Department, nor employers, have the powers to prevent consultants from working outside of NHS contractual arrangements. In October 2014, the Department asked the Independent Review Body on Doctors' and Dentists Remuneration (DDRB) for its observations on issues around reforming the consultant contract so that it better facilitates the delivery of healthcare seven days a week, and for recommendations on a new contract for doctors and dentists in training. The DDRB has received evidence from a range of interested parties and will submit its report in July 2015 for the Government to consider. The Department will examine this issue in the context of this work.

5: Committee of Public Accounts conclusion:
There are still 93 NHS trusts that have not yet achieved foundation trust status and a significant number that are unlikely to do so.

Recommendation:
The NHS Trust Development Authority should set out how, and by when, it will put forward to Monitor each of the remaining 93 NHS trusts for assessment for foundation trust status. It should prioritise its efforts on working with the minority of NHS trusts that will not achieve foundation trust status in their own right.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: Summer 2015.

5.2 Three NHS trusts have been authorised as NHS foundation trusts since 1 February 2015 and the TDA is working with each of the remaining 90 NHS trusts to review their progress towards foundation trust status. The TDA is utilising the strategic plans that were produced by NHS trusts in June 2014 for the five-year period 2014-15 to 2018-19 to inform this review. In addition, the options set out in the *NHS Five Year Forward View* and in *Examining new options and opportunities for providers of NHS care: the Dalton Review,* are being considered as potential solutions to long-term sustainability.

5.3 The results of this process are due to be published in the summer of 2015, at which point the expected approach and timescales for each of the 90 NHS trusts will be identified. For NHS trusts that will not achieve foundation trust status in their own right, this will include consideration of whether an acquisition by another organisation is appropriate. Further work is needed to confirm the position for a number of these organisations and the TDA is prioritising its development support to enable an assessment to be made of sustainability, which will provide a basis for decisions about future organisational form.

Thirty Seventh Report of Session 2014-15

Department of Health and Department for Communities and Local Government

Planning for the Better Care Fund

Introduction from the Committee

The Better Care Fund aims to deliver better, more joined-up local services to older and disabled people to care for them in the community, keep them out of hospital and avoid long hospital stays. Initially the Departments and NHS England expected savings to come to the NHS from this initiative. However when local plans were stress tested savings of £55 million were identified against an initial expectation of £1 billion. The Departments and NHS England redesigned the Fund and asked local areas to submit revised plans in September 2014. The latest plans suggest that local areas expect to pool £5.3 billion and save £532 million in 2015-16.

On the basis of a report by the NAO, the Committee took evidence, on 1 December 2014, from the Department of Health, the Department for Communities and Local Government, NHS England and the Local Government Association on planning for the Better Care Fund. The Committee published its report on 26 February 2015. This is the Government response to the Committees report.

Background resources

NAO report: Planning for the Better Care Fund – Session 2014-15 (HC 781)
PAC report: Planning for the Better Care Fund - Session 2014-15 (HC 807)

1-2: Committee of Public Accounts conclusion:
1. *Initially, the central government bodies involved in planning the Fund lacked a clear and shared understanding of its financial objectives.*
2. ***The failure to be clear with local areas about the expected savings severely undermined the initial planning process.***

Recommendation:
1. *In future spending discussions, departments and the Treasury should unambiguously define services and savings requirements and ensure they are clearly, consistently and transparently presented to all parties.*
2. *When overseeing local implementation of complex and important reforms, the Departments should ensure that they clearly communicate their objectives to those responsible for delivery.*

1.1 The Government agrees with the Committee's recommendations.

Target implementation date: January 2016.

1.2 The Government has announced the formation of a new Ministerial Implementation Task Force to deliver an integrated health and social care system. The Task Force will monitor and drive delivery as well as considering the options for future health and social care integration policy. Departments expect that some of this policy will be considered as part of the Spending Review process in autumn 2015, when they will ensure that expectations are clearly communicated to all parties, including those responsible for delivery.

1.3 The Departments expect operational planning guidance to be issued to Clinical Commissioning Groups and local authorities at the conclusion of the Spending Review process. This will include details of any agreed service and savings requirements as part of the policy framework.

3: Committee of Public Accounts conclusion:
It was understandable given the pressures on the NHS budget to pause for three months to redesign the Fund, but the changes and delay eroded goodwill and put delivery of the Fund's objectives at risk.

Recommendation:
The Departments should identify all constraints on programmes from the outset and ensure that mitigating those constraints does not undermine timely planning and the successful achievement of objectives.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2016.

3.2 Departments and partner organisations will work together to identify risks and issues associated with the implementation of future policy, and identify any mitigating actions for them. There will always be limits to the ability of Departments to predict all eventualities, particularly in the case of complex system transformations. The Departments will ensure opportunities for review are built into the implementation process on future policy. Appropriate programme governance will be put in place to oversee the management of future arrangements.

4: Committee of Public Accounts conclusion:
The confused accountability at national and local levels has hindered the development of the Fund

Recommendation:
The Departments should set out, in a joint accountability system statement, the specific responsibilities and accountabilities for the Fund of all local and national partners, including for plan approvals, delivery and value for money.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The *Guidance for the Operationalisation of the BCF in 2015-16*[1] was published by NHS England in March 2015. This sets out the accountability arrangements and flow of funding for the Better Care Fund in 2015-16. The guidance has been shared with Health and Wellbeing Boards, Local Authorities and Clinical Commissioning Groups in all areas.

4.3 At a national level, overall accountability to Parliament for the Better Care Fund sits with the Permanent Secretary of the Department of Health; and the NHS England Accounting Officer is accountable for the effective use of the £3.46 billion of the Better Care Fund that constitutes revenue grant.

4.4 At a local level, accountable officers of Clinical Commissioning Groups are accountable for their share of the £3.46 billion of the Better Care Fund allocated to them by NHS England as well as any additional monies that they have voluntarily added to the pooled fund. They will be held to account by NHS England for the appropriate use of Better Care Fund resources; and section 151 officers of local authorities are accountable, under the terms of their grant agreements, for the £354 million of the Better Care Fund that is paid to them directly by the Department of Health and the Department of Communities and Local Government, as well as any additional monies that they have voluntarily added to the pooled fund.

[1] Guidance for the Operationalisation of the BCF in 2015-16

5: Committee of Public Accounts conclusion:
It is not yet clear how all local authorities will protect adult social care services to the extent intended

Recommendation:
The Departments should write to the Committee at the end of February 2015 setting out whether they have resolved the outstanding issues in areas without fully approved plans, and how they will deal with any areas which have not met the national condition to demonstrate how they will protect adult social care services.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 All 150 Better Care Fund plans in England have now met the national condition to demonstrate that they will protect social care, and have been approved (two areas are continuing to receive support).

5.3 Following the second national consistent assurance review (NCAR) process, 147 areas had moved to fully approved status for their BCF plans by the beginning of February 2015. A further one area moved to fully approved status in March 2015. For those areas fully approved, no further issues are outstanding, including in relation to the protection of social care. The Departments' focus has now moved from assuring plans to providing support for implementation. For the two areas approved with support, NHS England have requested further time to work intensively with the areas prior to plans moving to fully approved. There are no outstanding issues relating to the protection of social care in either of these areas.

6: Committee of Public Accounts conclusion:
The Committee was not convinced that it is possible to reduce emergency admissions and deliver £532 million of savings in 2015-16.

Recommendation:
The Departments should publish an annual scorecard to demonstrate the extent to which the Fund is supporting integration, maintaining adult social care, reducing emergency admissions and saving money.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 In March 2015, the Department arranged for the key performance metrics for the Better Care Fund to be published on the *MyNHS* website. This will include: emergency admissions per 100,000 people; permanent admissions to care homes for older people; maintaining independence through re-ablement; and delayed transfers of care. These are the best available metrics to assess the efficacy and effectiveness of integrated care. Two of the metrics – emergency admissions and delayed transfers of care – will be updated on the MyNHS website every quarter. The metrics for permanent admissions to care and re-ablement will be updated annually. Local areas will report progress against the protection of social care and the agree impact on the acute sector each quarter.

Forty First Report of Session 2014-15

Department for Business, Innovation and Skills

Financial support for students at alternative higher education providers

Introduction from the Committee

Approximately 140 institutions offering higher education are termed 'alternative providers'. These alternative providers comprise a diverse range of organisations ranging from private companies to charitable institutions. They do not receive government grants directly but do access public funding through student loans which are used to pay their fees. Following the announcement of higher education reforms in 2011, and the associated increase in tuition fee loans, there has been substantial and rapid growth in the sector. 40% of the publicly funded students attending these colleges are EU students, compared to 6% in the rest of the higher education sector. Between 2010-11 and 2013-14, the number of students claiming support for courses at alternative providers rose from 7,000 to 53,000. Over the same period, the total amount of public money paid to students at alternative providers, through tuition fee loans and maintenance loans and grants, has risen from around £50 million to around £675 million.

The Department has overall responsibility for oversight of publicly-funded higher education, including alternative providers with publicly-funded students. The Student Loans Company is responsible for paying out loans and grants to students.

On the basis of a report by the National Audit Office, the Committee took evidence on 15 December 2014 and 16 March 2015, from the Department for Business, Innovation and Skills, the Student Loans Company, the Higher Education Funding Council for England, Edexcel on financial support for students at alternative higher education providers. The Committee published its report on 24 February 2015. This is the Government response to the Committee's report.

Background resources

- NAO report: Investigation into financial support for students at alternative higher education providers - Session 2014-15 (HC 861)
- PAC report: Financial support for students at alternative higher education providers - Session 2014-15 (HC 811)

1: Committee of Public Accounts conclusion:

The Department pressed ahead with the expansion of the alternative provider sector without a robust legislative framework to protect public money.

Recommendation:

Accounting Officers should not proceed with implementing schemes without being assured that risks can be appropriately managed. If risks to public money cannot be sufficiently controlled, whether through legislative or other means, they should seek a Ministerial Direction.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 The Department agrees that Accounting Officers should be assured that risks can be appropriately managed, and if not they should seek a direction. In this instance, the Department considers that the risks associated with the expansion of the alternative provider sector could be and were appropriately managed without the need to seek a direction.

1.3 The risks associated with this policy were identified from the outset and were taken into account in policy decisions. Ministers took decisions to manage these risks appropriately and had the option to introduce new legislation, or to regulate using the existing administrative mechanisms and powers. In the absence of legislation, existing powers were used to strengthen the system used to designate alternative providers' courses as eligible for student support.

1.4 The designation system has been progressively strengthened. In 2013, the Department introduced significant changes to designation, with stricter requirements on quality; more rigorous financial sustainability checks; and annual monitoring. All existing providers, as well as new applicants, had to reapply for designation under the new regime.

1.5 To manage the risks associated with rapid expansion, the Department has, since 2013, issued notices requiring 26 of the fastest growing providers to suspend recruitment for the remainder of the academic year. The Department also introduced student number controls for most alternative providers for academic year 2014-15. Early 2015 has seen a range of new measures announced to further strengthen the control environment for alternative providers and drive up quality.

2-3: Committee of Public Accounts conclusion:
2: The Department failed to identify and act quickly on known risks associated with the rapid introduction of schemes to widen access to learning.
3: The Department does not know how much public money may have been wasted.

Recommendations:
2: The Department must systematically assess and control the specific risks identified by the National Audit Office and at our evidence session, and provide us with a clear explanation of how it will manage these risks in future.
3: The Department should report back to the Committee urgently with an assessment of how much public money is at risk of being wasted.

2.1 The Government agrees with the Committee's recommendations.

Recommendations implemented.

2.2 The Department wrote to the Committee on 27 February 2015, setting out in detail the range of actions that will be put in place to manage risks and further tighten controls over alternative providers. These include:

- alternative providers meeting the same stringent quality assurance regime as HEFCE-funded providers;
- the Department consulting on whether to introduce a minimum English language standard;
- providers must apply every year to have their designations renewed, with consideration on provider performance and value for money; providers will be required to submit data to HESA
- a joint intelligence unit has been established between the Department and HEFCE to ensure compliance with the conditions of designation;
- from 2015, the Quality Assurance Agency will also undertake annual monitoring visits; and
- sanctions now apply to providers which leads to de-designation.

2.3 The Department also set out to the Committee a detailed assessment of the amount of money, which was paid to students who may not have been entitled to receive it. The Department and the Student Loans Company are committed to recovering all money that has been paid to ineligible students or providers.

4: Committee of Public Accounts conclusion:
The Department has failed to protect the interests of legitimate students, the taxpayer and the reputation of those alternative providers who may be performing well.

Recommendation:
The Department needs to ensure that it has a much firmer grip on the quality of teaching and the standard the students can expect in private sector higher education colleges. It needs to identify poor performers and take appropriate action to protect students and the sector as a whole.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: September 2015.

4.2 The Department has taken steps to strengthen the quality assurance requirements for alternative providers, bringing them into line with those for HEFCE-funded providers. From April 2015, the department has required alternative providers to successfully complete the Quality Assurance Agency's full Higher Education Review. This is a tougher form of review, which will require providers to demonstrate they meet a more stringent set of criteria.

4.3 Higher Education Review gives greater assurance. Providers are now subject to annual monitoring visits rather than paper-based monitoring returns, with the extent of monitoring determined by a risk-based approach. The review explicitly assesses providers against all elements of the UK quality code, including student recruitment, assessment, and involves students directly in the review process.

4.4 The move to Higher Education Review is being introduced on a phased basis during 2015. All new applicants for the Department's course designation for student support will be required to successfully complete Higher Education Review from April 2015. From September 2015, all existing providers, due for a re-review by the Quality Assurance Agency (QAA), will have to undergo a full Higher Education Review. Additionally, all providers will receive annual monitoring visits from April 2015. Any provider that is being investigated under the QAA Concerns Scheme cannot have their designations renewed.

5: Committee of Public Accounts conclusion:
The Department does not monitor what it is achieving from expansion of the alternative provider sector.

Recommendation:
The Department needs to set specific, measurable objectives for this policy, and collect and analyse the right data in order to evaluate the full impact, taking account of any unanticipated impacts, such as the recruitment of EU students.

5.1 The Government agrees with the Committee's recommendation.

Recommendations implemented.

5.2 The Government's policy, as stated in the June 2011 White Paper, was to open up the market to a wider range of providers to stimulate competition, increase choice for students, and deliver better value for money. The Department's assessment is that these aims have been partially achieved, with several high quality alternative providers achieving degree awarding powers and University or University College Title. There are increased opportunities for students to study at small specialist institutions, and flexible course structures.

5.3 The Department is implementing a strategy with partner organisations (HEFCE, SLC, Pearson, QAA, and the Awarding Bodies) to improve data collection and analysis. Data will be used to make designation decisions; set student number controls and ensure compliance of those controls; monitor under-performing providers; and provide checks on whether students are registered with awarding bodies. In February 2015, the Department announced that this data collection will be extended to all providers, including those with fewer than 50 students and offering part time provision.

Forty Second Report of Session 2014-15

Department for Work and Pensions

Universal Credit: Progress Update

Introduction from the Committee

The Department for Work and Pensions is introducing Universal Credit to replace six means-tested benefits for working-age households. By the end of October 2014, the Department had spent £700 million on Universal Credit, and it expects to have invested £1.7 billion on the programme by 2022-23. The Department now anticipates there will be seven million people claiming Universal Credit by December 2019. The Department struggled with the early development of Universal Credit, and in February 2013 the programme was reset to allow the Department to develop clearer plans. In November 2013, the Department adopted a twin-track approach to delivering Universal Credit.

The Department has sought to learn from the live running of Universal Credit by expanding the current 'live service' for claimants who have straightforward initial claims which do not involve all 6 benefits. Live service was launched in April 2013, using IT systems developed before the reset. However by October 2014 there were only 17,850 people claiming Universal Credit. The Department has started developing a new 'digital service', capable of delivering the full scope of Universal Credit to all claimant types. The Department began testing the digital service through a limited trial in Sutton in November 2014, and it intends to start using the service nationwide from May 2016.

On the basis of a report by the National Audit Office, the Committee took evidence, on 11 February 2015, from the Department for Work and Pensions, and the Treasury about progress in delivering Universal Credit. The Committee published its report on 25 February 2015. 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)

1: Committee of Public Accounts conclusion:
The Department has now spent £700 million on Universal Credit.

Recommendation:
The Department must set out clearly what it has really gained from its spending so far, including from the piloting of the programme, and from the investment in live service IT systems.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 The department has already set out that running the department's Live Service brings forward benefits (of £269 million as per strategic outline business case addendum and approved in September 2014) through national expansion of single households. National rollout has provided additional gains from claimant and work coach orientation; the readiness of Local Authorities; and essential preparation work for the delivery of the Digital Service.

2: Committee of Public Accounts conclusion:
The Department has become more open and improved its governance of Universal Credit, but it has further to go.

Recommendation:
The Department should set out publicly its current milestones for what it expects to achieve at different points in the programme, and clearly explain any future changes to the scope, cost and timings of these.

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

2.2 The Universal Credit Programme business case outlines the programme's scope, plans and costs and was agreed by the Treasury in September 2014 and outlined in a written statement tabled 13 October 2014. Prior scrutiny from the Major Programmes Authority concluded that these plans and the business case are credible and deliverable, and that a robust change management mechanism is in place.

3: Committee of Public Accounts conclusion:
HM Treasury has approved the 'strategic outline business case', the first of three stages in developing a full business case for the programme, but the business case process and actual delivery of Universal Credit are out of kilter.

Recommendation:
HM Treasury must ensure that the Department continues to identify and critically assess a range of realistic options for delivering Universal Credit, and implements those which it selects.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 The Department has a single plan for the development and delivery of Universal Credit, agreed with all stakeholders at Strategic Outline Business Case stage. The Departments are working to this plan, whilst continually assessing deliverability and making changes where necessary. As part of the development of the Universal Credit Strategic Outline Business Case, the Departments are identifying and assessing a range of contingency options for the delivery of Universal Credit, working in conjunction with all stakeholders including the Treasury, the Cabinet Office and Local Authorities.

4-5: Committee of Public Accounts conclusion:
4: The Department's twin-track approach is complicated and expensive, but is probably the correct course of action.
5: Both the Department and the Treasury now regard live service as the programme's de facto contingency, even though the Major Projects Authority told the Committee in 2014 that it doubted those systems were scalable to handle the full range of claimants.

Recommendations:
4: The Department must ensure it does not allow the mixed approach to continue for longer that is required.
5: The Department must establish more robust and costed contingency plans for how it would handle further delays in the digital service, including a thorough examination of whether it would be practical and affordable to use the current live service for this role.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 As part of the development of the Universal Credit Outline Business Case, the Department is identifying and assessing a range of contingency options for the delivery of Universal Credit, working in conjunction with stakeholders including the Treasury, the Cabinet Office and Local Authorities. Decisions about the continuing need to utilise the twin-track approach will be made in light of the relative Value for Money of the contingency options.

6: Committee of Public Accounts conclusion:
The Department needs to reflect on how it will tackle the potential problems of paying the housing benefit element of Universal Credit directly to claimants.

Recommendation:
The Committee will refer this issue to the Communities and Local Government Committee and ask their successors in the new Parliament to review whether paying the housing benefit element of Universal Credit directly to claimants is working.

6.1 The Government notes the Committee's recommendation. However, it will be for the Communities and Local Government Committee to take forward this recommendation.

Forty Third Report of Session 2014-15

Department of Health

Public Health England's grant to local authorities

Introduction from the Committee

The Health and Social Care Act 2012 made fundamental changes to the system for funding and delivering public health. Responsibility for commissioning local public health services returned to local authorities from the NHS. Local authorities now have a statutory duty to improve the health of their populations. The Department of Health also created Public Health England (PHE), a new national executive agency. PHE is intended to have an authoritative and expert voice on protecting and improving the nation's health. It provides local authorities, the Department and the NHS with advice and evidence on what works on public health interventions. It also directly provides a range of central services, such as social marketing campaigns and health protection.

PHE is accountable for securing improved public health outcomes. In 2013-14 PHE gave local authorities £2.7 billion via a ring-fenced grant to carry out their new public health responsibilities. The public health activities expected from the grant include encouraging healthier lifestyles and reducing the very large health inequalities across England, especially in life expectancy.

On the basis of a report by the National Audit Office, the Committee took evidence, on 19 January 2015, from the Department of Health, Public Health England and the Association of Directors of Public Health. The Committee published its report on 6 March 2015. This is the Government response to the Committee's report.

Background resources

- NAO report: *Public Health England's grant to local authorities* - Session 2014-15 (HC 888)
- PAC report: *Public Health England's grant to local authorities* - Session 2014-15 (HC 893)

1: Committee of Public Accounts conclusion:
Many local authorities do not yet receive a proportion of public health funding that fairly reflects their needs.

Recommendation:
The Department should set out clear plans for how quickly it will move local authorities to their target funding allocations for public health.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2016.

1.2 The Department has introduced a transparent system for allocating public health budgets, and real progress has been made in moving towards target allocations.

1.3 To ensure safe transition from the NHS to local authorities, the Department used historic spending as the funding basis, whilst asking the Advisory Committee on Resource Allocation (ACRA) to develop a formula which better-reflected assessed need. During 2013-14 and 2014-15, all local authorities received additional investment over and above historic levels with every local authority receiving a minimum of 5.5%, those furthest below target receiving up to 21% more. This additional investment allowed good progress to be made in moving closer to needs based allocations in the first two years.

1.4 Following the Chancellor's recent announcement of a proposed reduction of £200 million to the local authority public health grant, the Department, working with PHE, and partners, will consult on the best way of delivering the savings that need to be made. The Department has always recognised that progress towards target share of the overall public health grant will take time. The rate of pace of change will depend on total resources available and how Ministers prioritise future spending. The Department has commissioned ACRA to review the best method of developing an evidence base to move local authorities to their target funding allocations.

2: Committee of Public Accounts conclusion:
The Department has not yet decided whether the public health grant to local authorities will remain ring-fenced after 2015–16.

Recommendation:
The Department should do all it can to provide more certainty to local authorities, by prioritising a quick decision on whether the ring-fence will remain. If the ring fence is lifted it needs to implement other levers to protect investment in public health.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2016.

2.2 The creation of a specific local authority public health grant, has for the first time, delivered real transparency in public health spend and has played an important part in ensuring a smooth transition of services from the NHS to local authorities.

2.3 The Department continues to review the need for the ring-fence following the initial transition period, including the transfer of commissioning of children's 0-5 services from the NHS to local authorities in October 2015. The Department will endeavour to secure early clarity on the position during the Spending Review process, taking into account all the other available levers to incentivise and protect investment in public health.

2.4 Local authorities have already shown how more can be done for less, and will continue to deliver improved public health outcomes

3: Committee of Public Accounts conclusion:
PHE does not yet have a prioritised approach to influencing wider Government policies.

Recommendation:
PHE should set out a prioritised strategy for influencing Whitehall, and the measures to review its success.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2015.

3.2 Protecting and improving the health of the population is the responsibility of (among others) central Government as a whole, not just the Department of Health, working with delivery partners.

3.3 While the Department believes it was right in the early days of the new system for PHE to concentrate on achieving a smooth transition, there should be a clear focus on informing and influencing Government policy. The Department and PHE will collaborate to ensure that PHE's expert advice supports the development of wider government policies. PHE will identify a range of approaches for achieving this and priority areas in which to influence Government policy.

4: Committee of Public Accounts conclusion:
PHE does not target its support sufficiently well to those local authorities that most need it.

Recommendation:
PHE should target its advice and support on those areas which would benefit most from such support. It should encourage local authorities to use the tools it has developed to improve public health outcomes.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2016.

4.2 Local authorities are best placed to understand the needs of their communities. PHE provides the evidence, information and tools to support them with this. PHE has produced outcomes data, tools and regional reports which comment on need, outcome and variation. This allows local authorities to compare themselves to similar areas and agree their own health and wellbeing priorities. PHE has provided support to the Association of Directors of Public Health to deliver sector led improvement programmes through which local authorities work together to improve their performance.

4.3 PHE has a field force of public health experts that have weekly and monthly discussions with local Government colleagues and other partners in the public health system about interventions that improve the public's health, including the routine performance data returns that they submit.

4.4 PHE has also strengthened the role of its local teams, so they are aligned with the regions used by local government. PHE has published a list of the products and services that it provides to local government on health improvement and this will enable PHE Centres to have discussions about tailoring the advice to the specific needs of individual local authorities.

5: Committee of Public Accounts conclusion:
PHE works through influence and cannot direct local authorities to act. PHE is accountable for securing improved public health outcomes.

Recommendation:
The Department and PHE should identify how they will improve PHE's influence with local authorities, focusing on how to make progress on PHE's five health improvement priorities.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2015.

5.2 Local authorities are independent, democratically accountable organisations. Their duty, to improve the public's health, requires them to take the steps that they themselves believe are appropriate in the light of local needs and priorities, which vary from place to place.

5.3 PHE's role is to provide evidence, advice and support to local authorities, and its stakeholder survey shows that this is generally highly valued by local authorities. Since April 2013, PHE have formed positive and supportive relationships with local authorities and will continue to provide further support for the local leadership of local authorities and building capacity in local public health systems. For example, PHE is playing an active role in supporting the London Health Commission led by Lord Darzi and in promoting the public health contribution to Devo Manchester. PHE will play a key role in engaging local government with PHE's work with the NHS on the prevention workstream of the Five Year Forward View focusing on "place based" approaches to prevention.

5.4 PHE working alongside and providing support in this way, will enable local authorities to make further progress on the outcomes in the Public Health Outcomes Framework to protect and improve the health of local communities and reduce health inequalities.

6: Committee of Public Accounts conclusion:
PHE does not provide local authorities with sufficient evidence or support to drive better decision making at the local level.

Recommendation:
PHE should continue to improve its support to local authorities, including helping local authority staff to understand the evidence base for what works best, and addressing the recommendations detailed in the NAO report.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2016.

6.2 Providing effective support for local authorities is fundamental to the role of PHE and improving this offer has been central to PHE's recent Strategic Review.

6.3 Alongside the Public Health Outcomes Framework, which is widely valued by Directors of Public Health, PHE has developed a range of knowledge and intelligence tools, such as Longer Lives and the Spend and Outcomes Tool, which for the first time, allow local authorities to compare their public health outcomes with similar authorities. Independent stakeholder surveys have identified that these tools are welcomed by local government and that they value the support provided, but would appreciate more locally tailored output and advice.

6.4 As well as reorganising its local presence to better align with local government, PHE has reviewed its products and services to ensure they are better focused on what its customers require. It has prioritised more analyst resource and is developing its health economics capability to support local authorities with the evidence on 'Return on Investment' from public health interventions.

7: Committee of Public Accounts conclusion:
The profile and impact of public health work in local authorities is undermined by high staff vacancy rates, particularly for directors of public health.

Recommendation:
The Department and PHE should set out how they are addressing vacancy rates in local authority public health teams, including tackling disincentives in the terms and conditions for public health staff moving from the NHS to local government.

7.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2016.

7.2 Director of Public Health (DPH) vacancy rates have remained reasonably constant throughout transition and beyond, and all local authorities without a substantive DPH have appropriate arrangements in place.

7.3 The Department and PHE are committed to developing the public health workforce and are working with the Association of Directors of Public Health, the Local Government Association (LGA) and others. The Department has funded PHE to develop and deliver the new Future Directors programme, and is working with PHE and the local Government Leadership Centre to deliver the Skills for Systems Leadership programme and is also supporting PHE in the delivery of its public health system talent management programme.

7.4 In February 2012, the LGA published a Guidance Note for local authorities that addressed technical issues in recognising past service with NHS bodies and PHE. Whilst it is for local authorities to determine the terms and conditions that they offer, the Department acknowledges some concerns about varying terms and conditions across the system. The Department has asked PHE to report, as part of a review of the public health workforce strategy, on the barriers to effective working and freedom of movement between the NHS, local government and national government and its agencies.

Forty Fourth Report of Session 2014-15

Department for Education

Children in Care

Introduction from the Committee

The Department for Education sets policy for children in care and has objectives to improve the quality of their care and the stability of their placements. Local authorities look after more than 68,000 children, in line with statutory duties set out by Parliament and the Department. Ofsted regulates and inspects care services and the Department can intervene if local authorities do not deliver services to an acceptable standard. Local authorities look after children in their own foster and residential homes, or pay private or voluntary organisations to do so.

On 31 March 2013, 75% of children in care were fostered and 9% were in residential children's homes. In recent years, local authorities have protected spending on foster and residential care, despite wider cuts to council spending. Local authorities spent £2.5 billion in 2012-13 on foster and residential care, an increase of 3% in real terms since 2010-11 despite an overall fall in spending, and the number of children in care rose by 4% over the same period.

On the basis of a report by the National Audit Office, the Committee took evidence on 12 January 2015 from the Department for Education, the Office of Standards in Education, Children's Services and Skills (Ofsted), the Association of Directors of Children's Services, Barnardo's and the Care Leavers' Association, about services for children in foster and residential care in England. The Committee published its report on 11 March 2015. This is the Government response to the Committee's report.

Background resources

- NAO report: *Children in Care* – Session 2014-15 (HC 787)
- PAC report: *Children in Care* – Session 2014-15 (HC 809)

1: Committee of Public Accounts conclusion

The Department is best placed to lead improvements in the quality of care and stability of placements, but it is reluctant to take on this role.

Recommendation:

The Department should set out how it will lead and work with others to improve the outcomes for children by improving the quality of care.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 The Department has a clear objective to improve the outcomes for children in care and believes that its role in supporting those improvements is well established and set out in the Department's Accountability System Statement. It comprises overseeing the legislative framework; providing guidance on implementation; intervening in local authorities (LAs) where there has been service failure; and promoting innovative and effective practice. The legislative framework sets out the duties on LAs to support children in care and care leavers and is strengthened periodically to drive improvements in outcomes for children in care - for example, the introduction of a new duty to appoint a virtual school head to promote the educational attainment of looked after children.

1.3 The Department has published detailed statutory guidance, amending it as necessary to encourage good practice - for example, the recent amendment to clarify that LAs should only use bed and breakfast accommodation for care leavers as a last resort.

1.4 The Department pays close attention to Ofsted's inspection evidence and has the power to intervene where local services are judged inadequate. In early 2015, the Department established a new team of intervention advisers to support improvement in LAs giving cause for concern.

1.5 The Department takes seriously its role in facilitating innovation and promoting effective practice. It publishes local and national data annually on outcomes for children in care in order to improve transparency and promote local accountability. Publications include bespoke data packs on individual aspects of the care system, such as placement stability. The Department also commissions and publishes research designed to improve practice.

1.6 The Department has set up a £100 million Innovation Programme to develop new approaches to the delivery of children's social care. It has also provided substantial funding to the voluntary and community sector (over £1 million in 2015-16) to support children in care. The Department shares responsibility for disseminating best practice with Ofsted, sector bodies (such as the Association of Directors of Children's Services - ADCS), voluntary and community sector organisations and academia.

2: Committee of Public Accounts conclusion
The Department has watered down its responsibility for holding local authorities to account for their performance.

Recommendation:
The Department has undertaken to carefully consider our comments for the next version of its Accountability System Statement. In the next version of its Accountability Statement the Department should either re-instate the reference to its responsibility for holding local authorities to account for their performance or at least make clearer precisely how it is discharging this responsibility.

In view of the Department having ignored our obvious interest when publishing its revised statement in January 2015, we expect the Department to publish a revised statement in the near future, which takes account of our concerns. Therefore, alongside its Treasury Minute response to this report, the Department should provide us with an update and explanation of revisions proposed in the light of our report.

2.1 The Government disagrees with the Committee's recommendations.

2.2 The Department's Accountability System Statement was updated in January 2015 to reflect more accurately the respective roles of the Department and LAs in driving improvements in the delivery of children's social care services. The changes were informed by lessons learnt from working with LAs and the Department of Communities and Local Government across a range of issues. The Department has already confirmed – in its letter to the Committee of 11 February 2015 – that it will take account of the comments made by the Committee when it next updates its Accountability System Statement. The Accountability Statement already makes clear the arrangements for holding LAs to account for their performance – principally through local arrangements, but with the Department playing a role, including through intervening in cases of failure.

3: Committee of Public Accounts conclusion
Too few children are getting the right placement first time and too many are placed away from their home area.

Recommendation:
The Department should set out a strategy and a timetable for improving the commissioning of all care places, including specialised care places.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2015.

3.2 It is the responsibility of LAs to commission a range of high quality placements that meet the needs of their local care populations. The Department notes that there is good practice in some areas, but accepts that further improvements in the way LAs commission placements could enhance the efficiency and quality of service delivery. The Department is already reviewing options for improved co-ordination and better commissioning of places in secure children's homes and to assess the strengths and weaknesses of existing regional commissioning arrangements and plans to set out proposals for LA commissioning by December 2015.

3.3 The above activity must also take account of wider initiatives on commissioning. To date, work has largely been driven by Cabinet Office's Commissioning Academy, which is designed to enable senior managers across central and local government to deal with the financial challenges they face and support the efficient and effective delivery of services. The Department and Cabinet Office are currently developing a pilot Academy programme, aimed specifically at children's social care commissioners. The pilot will begin in autumn 2015.

3.4 The Innovation Programme has a number of projects that aim to improve aspects of children's services commissioning. Projects aim to improve placement decisions, increase capacity in the market and increase the focus on measuring outcomes while minimising costs. All these projects are now live and the lessons from each will be captured and shared throughout the coming year through the Spring Consortia website.

4: Committee of Public Accounts conclusion

The quality and experience of social workers is central to improving outcomes for children.

Recommendation:

The Department should set out how it will attract more high calibre people to social work and how it will ensure that training is relevant to their work.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The Department has developed a range of policies focused on raising standards among senior leaders and front-line social workers who manage and deliver children's social care. In relation to recruitment, the Department has: introduced the 'Frontline' programme (an accelerated, employment-based programme into social work for high calibre graduates); established the 'Step Up to Social Work' programme, which has been specifically designed for high-achieving graduates and career changers to train to become qualified social workers; and established the *Assessed and Supported Year in Employment* programme for newly qualified social workers, to support them in their first year of practice.

4.3 The Department has started to introduce new Teaching Partnership arrangements, where employers work hand in hand with universities to bring talented people into social work, provide them with high quality training and support them in work through continuous professional development. Overall, since 2010, the Department has invested £680 million in social work training and improvement.

4.4 The Department has also published a statement of the knowledge and skills for child and family social work, drafted by the Chief Social Worker and shaped by the views of nearly 1,000 social workers. This is the definitive statement of what social workers need to know and be able to do in order to make the right decisions for vulnerable families. The statement will also be used as the cornerstone for what is taught during university courses, including Step Up, Teaching Partnerships and the development of an assessment and accreditation system for child and family social workers.

5: Committee of Public Accounts conclusion

The Department does not use the rich data it does collect from local authorities about the patterns of care for children to improve local accountability and drive improvements across the system.

Recommendation:

As it has for adoption, the Department should publish information against its key indicators for local people showing how well their council performs on foster and residential care compared to others. This should be in an easy to find and user-friendly format, to support local accountability.

5.1 The Government disagrees with the Committee's recommendation.

5.2 The Department agrees that adoption score cards have been used successfully to deliver improvements in operational efficiency including, for example, helping to speed up the process of adoption. The Department has used a similar approach to challenge LAs on some aspects of the care system. It already publishes comprehensive LA-level data on a range of outcomes for children in care, as well as details of where children are placed and how frequently they move placements. This allows LAs to see how they are performing and to benchmark their performance against other LAs, including those with similar demographics.

5.3 The Department has used these data to ask questions about the reasons for any significant variations between LAs. For example, it has used data on school placements to ask why some LAs have more children in care in good and outstanding schools than other LAs. It has also used data on placements in children's homes to ask LAs why they have high percentages of children in distant placements. The Department plans to continue to use the published data in this way.

5.4 However, the Department is not convinced that a 'scorecard' approach would be appropriate in relation to decisions on placements or other aspects of support for children in care. There may be good reasons why children move placements or are placed at distance from home (such as where a distant placement enables the child to be moved away from a situation that puts them at risk). The Department believes that too much target setting would undermine LAs' discretion to make the right decision for the individual child and risk introducing perverse incentives. The Department accepts, however, that it should explore whether the data currently collected allows LAs to compare the most relevant aspects of their service delivery with others; and whether the data are published in a form which allows relevant comparisons to be made.

6: Committee of Public Accounts conclusion
The current system of inspection inhibits Ofsted from playing a full role in preventing the failure of local services.

Recommendation:
The Department should reconsider the frequency of Ofsted inspections of children's services to ensure early identification and intervention and ensure that Ofsted and the Department use available data to monitor the performance of individual providers and local authorities in a timely fashion.

The Department should reconsider its own role and explore the scope for involving Ofsted in improving local authorities' performance between inspections, so that Ofsted and/or the Department play a stronger role in preventing failure, and protecting vulnerable children.

6.1 The Government disagrees with the Committee's recommendations.

6.2 It is currently for Ofsted to decide whether or not to undertake more frequent inspections of children's social care. Ofsted determines how frequently it inspects LAs' social care functions, based on an assessment of the risks to children in each local area. For LAs where weaknesses in provision have been identified or where there are other indications of risk (for example, an increase in whistle-blowing activity) further inspections are likely to take place within three years. Where information comes to the attention of the Department which suggests an immediate inspection is needed, it raises the matter directly with Ofsted and swift action then follows, such as in the immediate inspection of Rotherham Council following Alexis Jay's report. The Department intervenes in every LA considered "inadequate" by Ofsted to ensure improvement is as rapid and sustainable as possible.

6.3 The Department publishes a range of data and has activity underway on several fronts to allow comparison between LAs and to support improvements in service delivery for children in care. Ofsted has also begun a process of improvement support for weaker LAs, including monitoring visits and seminars on improving practice.

7: Committee of Public Accounts conclusion
There is no clarity about who is responsible for leading the identification and dissemination of good practice.

Recommendation:
The Department must broker agreement (between itself, and, among others, the Local Government Association, the Department for Communities and Local Government, and Ofsted) about how they will share responsibility for leading on the identification and dissemination of good practice, including that generated by the Innovation Programme, and how it will go about spreading effective practice.

7.1 The Government disagrees with the Committee's recommendation.

7.2 A number of organisations share a role in disseminating good practice. The Department has, for example, made a commitment to carry out full, independent evaluations of all the projects it is funding through the £100 million Innovation Programme, and to make these publically available. The Department is also committed to publishing the findings of any research it commissions. Similarly, Ofsted publishes best practice guidance based on evidence from its inspections and thematic reviews. Other government departments, local government associations and voluntary and community sector bodies also publish research.

7.3 The Department believes that it is important for individual organisations to retain ownership and responsibility for their own products and those they commission. It already liaises closely with these organisations to ensure that information about good practice is shared appropriately with those who are responsible for frontline delivery. It does not accept that an agreement between the relevant organisations is necessary or would add benefit to the current arrangements.

8: Committee of Public Accounts conclusion

The Department has recently introduced initiatives to improve educational outcomes for children in care, such as virtual school heads, but it does not know whether its initiatives are working.

Recommendation:

When the Department mandates or directs local authorities to take action and spend public money, it must then take an interest in the outcomes, and develop measures of success, evaluate progress and plan for sharing what proves to be successful, or otherwise, with councils.

8.1 The Government agrees with the Committee's recommendation.

Target implementation date: July 2016.

8.2 The Department collects and publishes comprehensive data on the outcomes of children in care, including on academic attainment, rates of school absences and exclusions, health indicators and involvement in risky behaviours, such as substance misuse and involvement with the criminal justice system. These data serve to shine a light on the performance of LAs on a range of indicators. The quality of care that children receive is also assessed through Ofsted judgements about the quality of support given to children in care in the round (through the single inspection framework), as well as through inspections of individual children's homes and fostering services.

8.3 The Department will continue to monitor the impact of changes that are introduced – for example, it is planning to monitor and assess the early impacts of the changes to the Children's Homes regulations over the coming year and the changes made to statutory guidance on missing children, so lessons can be shared and further changes can be made as necessary. The Department is also planning to carry out a specific piece of work looking at the impact of Virtual School Heads once new data on the educational outcomes of children in care are published in December 2015.

9: Committee of Public Accounts conclusion

Without accurate, complete and comparable data about the cost of services provided for children in care, the Department cannot hold local authorities to account effectively or test value for money.

Recommendation:

The Department should work with local authorities and the Department for Communities and Local Government to secure reliable, comparable data on costs, and use it alongside existing performance indicators to develop assessments of value for money that are useful both for local authorities and central government.

9.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2016.

9.2 The Department recognises the importance of good financial data to support LA decision making and value for money considerations. It therefore plans to work with LAs and the Department for Communities and Local Government to consider how best to improve practice in this area, in line with the Committee's recommendation, and will report on progress at the earliest opportunity, but by no later than March 2016.

9.3 The Department is pleased to report that some helpful developments have already been undertaken in this area. For example, the Centre for Child and Family Research has developed a cost calculator for children's services which uses comparable data on staff costs and hours required for key tasks, based on published research. This is designed to facilitate exactly the comparison which the Committee would like to see. The Department agrees that there is scope for greater use of the calculator within the sector. The Department has also recently undertaken research to understand both the variation of costs within the residential care market, the drivers of those costs and the degree to which those drivers influence costs. This work is due to report shortly. One of the Department's Innovation Programme projects will also be recording detailed financial data from their placements and the Department will be looking to learn from that information once it is available.

10: Committee of Public Accounts conclusion

Finding children who go missing from care, including victims of child sex exploitation, and then keeping them safe is made more difficult by the lack of a national register.

Recommendation:

The Department should set out how it intends to facilitate central commissioning of secure places for the victims of child sex exploitation and the construction of a national database of missing children, and by when.

10.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2015**.**

10.2 The Home Office co-ordinates Government action to combat child sexual exploitation (CSE), but the Department is playing a key role by ensuring that its programmes of reform, especially on child protection, social work and children in care, will help to tackle CSE, including policies focused on raising standards among senior leaders and front-line social workers who manage and deliver children's social care.

10.3 Restricting the liberty of victims of CSE, by placing them in a secure children's home, is a difficult decision and not all LAs use secure settings. The Department has reviewed the supply and demand for places in Secure Children's Homes and recognises that the commissioning of welfare placements would be improved by greater coordination at a national level. It is undertaking further work in with the Association of Directors of Children's Services, Local Government Association and the Youth Justice Board to explore how greater co-ordination or some form of national commissioning might work in practice, with a view to agreeing the next steps by autumn 2015.

10.4 In addition, four projects within the Innovation Programme are exploring new or enhanced approaches to care for victims of child sexual exploitation, including the recruitment and development of specialist foster carers, and specialist, therapeutic support in a secure children's home to help victims overcome the trauma of child sexual exploitation.

10.5 The National Policing Lead for Missing Persons, in conjunction with the National Crime Agency, UK Missing Persons Bureau and the Home Office, is investigating developing a national register for missing persons. Departmental officials will work closely with colleagues in other government departments to ensure that the register reflects the particular needs and vulnerabilities of children missing from home and care.

Forty Fifth Report of Session 2014-15

Department of Health

Progress in improving cancer services and outcomes in England

Introduction from the Committee

The number of people diagnosed with cancer in England is increasing by 2% a year on average, driven by better awareness and the ageing and growing population. More than 1-in-3 people will develop cancer in their lifetime. In 2012, around 280,000 people were diagnosed with cancer and an estimated 133,000 people died from cancer. The Department of Health is ultimately responsible for securing value for money for spending on cancer services, estimated at £6.7 billion in 2012-13. Responsibility for commissioning cancer services is shared between NHS England, through its area teams, and the 211 clinical commissioning groups. Public Health England takes the lead in providing access to cancer data to inform commissioners and help improve services. The National Institute for Health and Care Excellence reviews new cancer drugs to assess whether they should be available on the NHS.

On the basis of a report by the National Audit Office, the Committee took evidence, on 21 January 2015, from the Department for Health, NHS England, Public Health England and the National Institute for Health and Care Excellence (NICE) on progress in improving cancer services and outcomes in England. The Committee published its report on 12 March 2015. This is the Government response to the Committee's report.

Background resources

- NAO report: Progress in improving cancer services and outcomes in England - Session 2014-15 (HC 949)
- PAC report: Progress in improving cancer services and outcomes in England - Session 2014-15 (HC 894)

1: Committee of Public Accounts conclusion:
The Department and NHS England have allowed a loss of momentum in the drive to improve cancer services.

Recommendation:
The Department and NHS England should review whether the new arrangements for promoting improvements in cancer care (for example, strategic clinical networks and data-sharing arrangements) provide the leadership and support required.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2015.

1.2 NHS England, on behalf of six health Arm's Length Bodies, has set up a system-wide independent Cancer Taskforce to develop a new five-year cancer strategy by summer 2015. Public Health England (PHE) and the Health and Social Care Information Centre have agreed time-limited arrangements to allow data transfer to PHE to enable it to carry out its statutory functions in the immediate term. The Taskforce will recommend a longer-term solution for data sharing.

1.3 NHS England completed the first stage of its review into improvement and leadership development, including strategic clinical networks (SCNs), cancer SCNs, clinical senates and academic health science networks (AHSNs), in March 2015. The aim of the review is to ensure effective arrangements to deliver the ambitions of the NHS *Five Year Forward View* and to improve value for money. The review's first-stage report will be published shortly. NHS England will ensure that clinical networks support delivery of the proposed new cancer strategy.

1.4 As of April 2015, NHS England now fully funds the post of the National Clinical Director for Cancer and has established a new cancer team to support his work and implementation of the new cancer strategy.

2: Committee of Public Accounts conclusion:
It is unacceptable that NHS England does not understand the reasons why access to treatment and survival rates are considerably poorer for older people.

Recommendation:
NHS England and Public Health England should build on existing initiatives to understand better the impact of age on access to cancer treatment and outcomes and the causes of any discrimination. They should establish the extent to which the variation can be reduced, and encourage commissioners and frontline clinical staff to take action to improve access and outcomes for older people.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2017.

2.2 The new cancer strategy being developed by the independent Cancer Taskforce will consider the entire cancer pathway and will address unwarranted variation, including for older people with cancer.

2.3 PHE and the National Cancer Intelligence Network (NCIN) have undertaken initial analysis of the causes of poorer survival rates in older people. Emerging evidence suggests that older people are less likely to access curative treatments, but the reasons for this are unclear. NCIN will explore these further in 2015-16. NHS England, Macmillan Cancer Support and Cancer Research UK are exploring options for strengthening understanding of the causes of variation to inform reduction of any identified age bias over the next five years.

2.4 NHS England is seeking to drive down variation through the use of specifications for the services that it commissions directly and, working with the Department of Health, is developing a clinical commissioning group (CCG) scorecard, which will use a range of indicators to assess how effective a CCG is at improving outcomes for different population groups, including older people. Academic experts are currently considering a range of indicators, including one-year cancer survival data for potential inclusion in the scorecard. The CCG scorecard is likely to be published in summer 2015

3: Committee of Public Accounts conclusion:
There is still unacceptable and unexplained variation in the performance of cancer services across the country.

Recommendation:
NHS England should use the available data to oversee clinical commissioning groups more effectively and to hold them to account for poor performance where it is identified. As part of this process, NHS England should gain assurance that commissioners, both clinical commissioning groups and its own area teams, are using existing benchmarking data and learning from good practice.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: Summer 2016.

3.2 NHS England monitors outcomes at CCG level in line with the model of CCG assurance agreed with the Department of Health. Under this model, Health and Wellbeing Boards monitor performance locally, alongside NHS England.

3.3 Cancer waiting times indicators, cancer outcome indicators and Commissioning for Value packs are amongst the data sources used to inform CCG assurance meetings. The Commissioning for Value packs support CCGs to identify the greatest potential opportunities to improve, with comparative information on indicators across the pathway including prevalence, screening, primary care prescribing, hospital admissions, mortality and survival rates. Where there are performance concerns on any of the indicators, NHS England's regional teams use them to challenge CCGs on what actions they are taking to improve performance.

3.4 To strengthen the focus on clinical outcomes, NHS England has published a new CCG Assurance Framework for 2015-16 which describes a continuous assurance process. This will be supported by a detailed operating manual and the proposed new CCG scorecard.

4: Committee of Public Accounts conclusion:
The NHS is failing to meet important national cancer waiting time standards for patients.

Recommendation:
NHS England should ensure that its waiting times taskforce pinpoints why cancer waiting time standards are not being met, including assessing whether the NHS has sufficient diagnostic services. The taskforce should set out the action needed to meet the standards, and the date by which it expects the NHS will achieve the standards again.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2016.

4.2 The Cancer Waiting Times Taskforce, jointly chaired by the National Clinical Director for Cancer and the Medical Director of the NHS Trust Development Authority (TDA), is aligned to the National Tripartite group (consisting of NHS England, Monitor and TDA) which provides a link to operational delivery. Working closely with SCNs the taskforce routinely analyses national data and gathers local intelligence on barriers to delivery of the national standards. Using this intelligence it provides Regional Tripartite Directors with recommendations for local action, including oversight and assessment of provider remedial action plans and recovery trajectories, use of commissioning levers and incentives, guidance on best practice cancer pathway management and access to expert support.

4.3 Diagnostic capacity is a key factor in performance on cancer waiting times. The 2015-16 NHS Planning Guidance makes clear that CCGs are expected to put in place a diagnostics capacity plan to ensure that they are planning adequate capacity to support early diagnosis of cancer. The department and NHS England will consider further action required in light of the work of the Cancer Taskforce.

5: Committee of Public Accounts conclusion:
Progress in improving patients' access to radiotherapy treatment has been slow, and the NHS's current stock of radiotherapy machines now needs replacing.

Recommendation:
NHS England should set out how it will ensure a coordinated national approach to procuring replacement radiotherapy equipment, so that sufficient capacity is available in the right places. It should also set out how it will work with trusts to ensure that the procurement generates the expected savings.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2016**.**

5.2 The existing national framework for radiotherapy equipment runs until December 2015 and will then be replaced by a new framework, following a tender process, designed to support providers to meet radiotherapy capacity requirements cost effectively for the next five years.

5.3 During 2015-16, NHS England provided commissioners with a radiotherapy demand and capacity modelling tool, based on the advice of clinical experts and patient and carer representatives. This tool helps commissioners to assess local needs and how well these are reflected in current provision (including current stock of equipment), taking into account innovation in treatments.

5.4 NHS England helps providers deliver radiotherapy services in line with the national requirements in the published service specification which include age of equipment. NHS Supply Chain provides national procurement frameworks to support providers to procure new or replacement radiotherapy equipment such as linear accelerators. These frameworks help providers secure equipment quickly and for best value. NHS England will reconsider the situation around radiotherapy in the light of recommendations of the independent Cancer Taskforce. Procurement experts in the Department of Health are working collaboratively with NHS England to examine potential innovative funding solutions for radiotherapy equipment.

6: Committee of Public Accounts conclusion:
The completeness of staging data still varies significantly across the country and has not met the level we recommended in 2011.

Recommendation:
Public Health England and NHS England should set out when they expect all clinical commissioning groups to have staging data for at least 70% of new cancer cases. Public Health England should also provide an update on staging data completeness for 2013 in its response to this report. This should include both the national position and the extent of local variation.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2016.

6.2 Overall staging completeness exceeded the 70% target in 2013 improving from 51% in 2011 and 62% in 2012. There are 209 CCGs with populations of 64,200 to 874,300. The smallest have approximately 200 cancer diagnoses a year, the largest around 6,000. In 2013, 130 CCGs (62%) reported staging completeness of over 70%. The staging completeness ranged from 39% to 86%.

6.3 For 2014, PHE expect over 75% of CCGs to have over 70% of cases staged. Not all CCGs will meet the 70% target - small CCGs may see statistical variation due to case mix. Staging data is produced by Trusts, not CCGs. So, patient pathways, involving many separate Trusts, may affect CCG level assessments.

6.4 For 2015 onwards, PHE will work with any CCG that does not meet the 70% target to identify the Trusts treating patients served by that CCG, review their data quality, closely monitor and report on the reasons, and provide support to improve data quality as required. PHE will then work with NHS England and the CCGs to improve staging completeness through the National Cancer Registration Service Data Liaison teams.

7: Committee of Public Accounts conclusion:
The Department and NHS England did not have sufficient data to evaluate the impact of the Cancer Drugs Fund on patient outcomes before deciding to extend the Fund until 2016 and increase its budget.

Recommendation:
NHS England should set out how it will use the new data (for 2014-15 patients) to evaluate the impact of the Cancer Drugs Fund on patient outcomes. It should also include in its response a report on the completeness of the data for 2014-15 and, if the data are not complete, it should take action to ensure that trusts comply with the requirement to record data.

7.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2016.

7.2 The Systemic Anti-Cancer Therapy Dataset (SACT) is mandatory for all cancer chemotherapy providers to complete from May 2014. The dataset provides details of patient diagnosis, treatment and outcomes across the full spectrum of cancer chemotherapy treatments for England. It applies to treatments funded both by routine commissioning and the Cancer Drugs Fund. The performance of all providers in submitting full data is monitored, reported and published. NHS England and PHE are working with providers to improve submission rates and coverage. 100% of trusts are now submitting data.

7.3 NHS England will review the annual data received for 2014-15 to see if trusts are submitting data for all their relevant patients. Performance measures for SACT data collection will be incorporated into the contracting mechanism for 2016-17 such that Trusts not submitting complete datasets for all relevant patients will be penalised.

7.4 NHS England, the department and PHE are currently working with cancer charities, the pharmaceutical industry and NICE to improve the evaluation of the effectiveness of cancer drugs. This will include designing robust evaluation methods and data collection so that NHS England can better understand patient outcomes and ensure more informed commissioning decisions. There will be a public consultation on this during 2015.

Forty Sixth Report of Session 2014-15

Department of Health

Update on Hinchingbrooke Health Care NHS Trust

Introduction from the Committee

Hinchingbrooke Health Care NHS Trust is a small district general hospital in Cambridgeshire, with some 250 beds and nearly 1,500 staff. In 2013-14, the Trust had an annual income of £111.6 million. It has had a history of financial difficulties and had an estimated underlying deficit of between £3 million and £4 million in 2011-12. In 2007, the Department of Health gave the then Strategic Health Authority approval to explore options to implement a new management structure at Hinchingbrooke, with the aim of making the Trust financially sustainable and enabling it to repay the cumulative deficit. Following a procurement process, the Strategic Health Authority awarded Circle a 10-year operating franchise beginning in February 2012.

Under the terms of the franchise agreement, the Trust's services, staff and premises remained within the NHS but the management functions passed to Circle, which is responsible for meeting the requirements of the agreement and ensuring that safe and high-quality NHS services are provided to the public. The Trust board is responsible for monitoring performance against the franchise agreement. Cambridgeshire and Peterborough Clinical Commissioning Group monitors the clinical performance of the Trust. At national level, the NHS Trust Development Authority oversees the performance of all NHS trusts, including Hinchingbrooke, and the Care Quality Commission regulates the quality and safety of care. The Department is ultimately responsible for establishing systems that protect health service users and taxpayers.

In January 2015, Circle announced that it had entered into discussions with the NHS Trust Development Authority with a view to withdrawing from the contract. It expects to hand back responsibility for running the Trust to the NHS by the end of March 2015.

On the basis of a report by the National Audit Office, and the Committee's report in February 2013, the Committee held a follow-up session on 2 February 2015 on Hinchingbrooke Health Care NHS Trust. The Committee took evidence from the Department of Health, the NHS Trust Development Authority, Hinchingbrooke Health Care NHS Trust, Circle, the Care Quality Commission, and Cambridgeshire and Peterborough Clinical Commissioning Group. The Committee published its report on 18 March 2015. This is the Government response to the Committee's report.

Background resources

- NAO report: *Franchising of Hinchingbrooke Health Care NHS Trust* - Session 2012-13 (HC 628)
- PAC report: *Franchising of Hinchingbrooke Health Care NHS Trust and Peterborough and Stamford Hospitals NHS Foundation Trust* - Session 2012-13 (HC 789)
- PAC report: *An update on Hinchingbrooke Health Care NHS Trust* - Session 2014-15 (HC 971)

1 Committee of Public Accounts conclusion:
As the Committee warned in 2013, the taxpayer has been left exposed by the failure of the Hinchingbrooke franchise

Recommendation:
The Department and the NHS Trust Development Authority should report to the Committee on the total cost to the taxpayer arising from the failure of the franchise, including the costs of transition arrangements and the total cost of covering the financial deficits incurred during the franchise.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 The NHS has not been exposed to any additional financial risk as a result of the Franchise arrangement, and the Franchisee has indeed made a £5 million contribution to the deficit incurred by the Trust over the course of the Franchise.

1.3 The Trust paid no management fee to Circle under the contract. Costs incurred by the Trust as a result of the termination of the franchise were agreed as £130,000 and billed directly to Circle. Costs included recruiting to new Board positions and those filled by Circle partners; an expected increase in the scope of External Audit due to termination of the contract; time of the Departments Legal and NHS England Estates teams; and removing the Circle branding from the hospital.

1.4 During the operation of the franchise agreement, the Trust received £5 million from Circle between 2012 and 2014 - the maximum deficit support payment required under the contract. The Department provided £9.6 million of Public Dividend Capital support to the Trust in 2014-15 to finance the deficit of £13.99 million incurred in 2014-15.

1.5 The Department cannot say whether the Trust would have run the same level of deficit without the Franchise, although the Trust had run very significant deficits in the years preceding the Franchise procurement.

2: Committee of Public Accounts conclusion:
Despite the Committee's warnings about the risks, oversight of the contract by the various parties who had a role was poor and inadequate and no one has been held accountable for the consequences.

Recommendation:
The Department and the NHS Trust Development Authority should ensure that strong governance and clear accountabilities are put in place for future novel or high-risk ventures, and that there is strong and effective monitoring.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2016.

2.2 The structure of the Hinchingbrooke franchise agreement outlined the governance and reporting arrangements between all parties. The NHS Trust Development Authority **(**TDA) oversaw the Trust using its Accountability Framework, the oversight process used for all other NHS Trusts. The TDA maintained a close relationship with the Trust Executive Management to gain assurance on the management of risks on performance and quality. There was also regular interaction with Circle management through the monthly Integrated Delivery meetings with the Trust Executive team, where the overall Trust performance was reviewed.

2.3 The Department, TDA and Monitor are reviewing how the governance and contractual structures of any future franchises might operate, to ensure that high quality care to patients is protected under this type of management arrangement.

3: Committee of Public Accounts conclusion:
The continuing dispute about the findings of the Care Quality Commission's recent inspection, coupled with the ongoing discussions about ending the franchise, risk distracting the Trust from continuing to improve the care it provides.

Recommendation:
It is important that the Trust does not lose focus on continuing to improve the quality of its care, and we look to the NHS Trust Development Authority to take an active role in ensuring that this does not happen, particularly during the expected transition from Circle to the NHS.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 It was the priority of the NHS Trust Development Authority (TDA) to maintain quality and safety during the transition of management of the Trust from Circle back to the NHS. The TDA-led transition board consisted of delivery, finance, strategy and clinical quality colleagues who conducted a full risk assessment of the transition programme and ensured appropriate mitigation strategies were implemented to secure quality and safety of care to patients was not compromised.

3.3 Every indication has been that quality has been maintained throughout the transition. The TDA ensured that the remaining Trust Board Members were appropriately supported and guided through the process. During transition, the usual monitoring of quality, delivery and finance occurred via the integrated delivery meetings which occurred monthly.

3.4 Once the Trust was placed into special measures in January 2015, the TDA initiated an oversight process whereby the TDA chairs a monthly meeting with the Trust and system stakeholders to ensure that the Trust is delivering against the quality improvement plan, whilst providing support and challenge in equal measure.

4: Committee of Public Accounts conclusions:
The contradictory assessments of the quality of care at Hinchingbrooke risk confusing commissioners, the public and others about the actual quality of care being provided.

Recommendations:
Once the first full round of inspections of hospital trusts has been completed at the end of 2015, the Department and the Care Quality Commission should evaluate the effectiveness of different approaches to monitoring quality and clarify the roles of the different bodies involved. In particular, it should examine whether its monitoring system is resulting in sufficiently accurate ratings.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2016.

4.2 The Care Quality Commission (CQC) is responsible for inspecting and reaching a judgement on the quality and safety of care, and providers themselves are responsible for making the necessary improvements, supported where necessary by Monitor or the NHS Trust Development Authority.

4.3 The CQC has an established programme of evaluation to ensure ongoing learning is embedded in its approach and that it is able to measure its impact and value for money. The CQC is working to develop its monitoring systems, but its current view is that the data is not sufficiently predictive to provide a reliable assessment of risk, and that it is necessary to combine quantitative and qualitative data alongside inspection to build a comprehensive assessment of quality. This is something the CQC is exploring as part of the development of its new strategy, which will be published for consultation during 2015.

4.4 It will be also be particularly useful to evaluate the effectiveness of CQC inspection and the system of special measures once a sufficient number of follow-up inspections have been completed to assess the impact on the safety and quality of care. CQC's 2015-16 business plan contains a commitment to demonstrate the difference that it makes – ensuring that it is well-run, efficient and effective, and demonstrating that it makes a positive impact and delivers value for money. In addition the National Audit Office is currently carrying out a review of CQC.

5-6: Committee of Public Accounts conclusion:
The Committee was concerned that lessons on awarding and managing major contracts will not be learnt from this innovative, but ultimately unsuccessful, venture.

Recommendation:
The Department should report back to the Committee at the next Parliament (from May 2015) on what lessons have been learnt from the Hinchingbrooke franchise, which will inform future protocols in dealing with private providers, including on how to assess and manage risks in major contracts. It should also set out how it will communicate these lessons across the health system and explain what steps it is taking to develop the necessary skills within the service required to award and manage contracts.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: September 2015.

5.2 The Department has developed a framework to assess proposals that would result in a franchise. The assessment criteria require that the proposals must clearly set out clear objectives for what the Trust is seeking to achieve through a franchise and what success would look like. There must be a range of feasible and measurable success criteria for the proposed change, and clear commercial principles should guide how any successful bidder will be driven to deliver the anticipated performance against the success criteria, which must be built into the contract.

5.3 Business cases should also identify risks associated with the management or other service to be procured. Financial viability must be included as a success criterion and there must be credible evidence to back any cost and cost-saving assertions. The proposed arrangement will also be expected to be a sustainable solution taking into account a comprehensive assessment of the local health economy and its current and future challenges.

5.4 This framework was used to assess proposals for both Weston Area Health NHS Trust and Peterborough and Stamford General Hospitals NHS Trust, though these proposals did not come to fruition.

5.5 It is more likely to be value for money to provide the necessary procurement expertise for future franchise arrangements at the national level, rather than locally. The Department is currently strengthening its central commercial function and will be able to provide guidance and oversight to any such procurements that are taken forward.

Forty Seventh Report of Session 2014-15

Ministry of Defence

Major Projects Report 2014 and the Equipment Plan 2014 to 2024 and reforming defence acquisition

Introduction from the Committee

Since 2012, the Department has published an annual statement on the affordability of its 10-year plan to deliver and support the equipment that the Armed Forces (the commands) require to meet the objectives set out in the National Security Strategy. This Equipment Plan is based on a detailed forecast of future project costs. From 1 April 2014 to 31 March 2024, the equipment budget is £163 billion. Each year, the Department also presents to Parliament a major projects report, providing data on the in-year cost, time and performance of the largest defence projects. In 2013–14, DE&S, which is responsible for buying and supporting defence equipment, employed some 16,000 permanent members of staff, supplemented with an estimated 3,400 contractors and had running costs of £1.3 billion. The Department launched a programme in May 2011 to improve the performance of DE&S through organisational change.

The Department is seeking to tackle funding pressures by restructuring the Army. Army 2020 is an ambitious programme of change that seeks, for the first time, to integrate fully a regular Army of 82,500 with a larger and more frequently used Army Reserve of 30,000. This represents a significant change from pre-2010 levels of some 102,000 trained regular soldiers and 19,000 trained reserve soldiers. The Department projects that this revised force size will reduce the cost of the Army by £10.6 billion between 2011–12 and 2021–22.

On the basis of 2 reports by the National Audit Office, the Committee took evidence, on 2 March 2015, from the Ministry of Defence, on progress in delivering major projects, on the affordability of its Equipment Plan and on the Department's plan to ensure Defence Equipment and Support has the skills to deliver military equipment to budget and time. The Committee published its report on 20 March 2015. This is the Government response to the Committees report.

Background resources

- NAO report: *Major Projects Report 2014 and the Equipment Plan 2014-2024* - Session 2014-15 (HC 863-1)
- NAO report: Reforming defence acquisition - Session 2014-15 (HC 946)
- PAC report: Major Projects Report 2014 and the Equipment Plan 2014 to 2024, and reforming defence acquisition - Session 2014 -15 (HC 1045)

1: Public Accounts Committee conclusion

If the Department does not get the equipment budget it is planning for, it will have to reduce the amount of equipment it buys or reduce costs elsewhere in defence.

Recommendation:

Whatever the Department's funding position, it is important that it consolidates the current improvements in affordability and maintains focus on a balanced budget.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 As outlined in the Defence Equipment Plan 2014, there are a range of activities happening within the Ministry of Defence as part of the continued drive to ensure a balanced Equipment Plan. These include a substantial programme of work successfully delivering efficiencies in the Equipment Support Plan, the Materiel Strategy change programme driving the transformation required to deliver significant improvements in the Defence Equipment and Support (DE&S) organisation, and the Forecasting Improvement Programme continuing improvements in the Department's ability to forecast costs accurately.

2: Committee of Public Accounts conclusion
There remain risks of unplanned growth in project costs.

Recommendation:
The Department should continue to seek improvements in the consistency of its approach to forecasting costs, and clarify the appropriate treatment of VAT and inflation, to give it greater certainty that its Equipment Plan remains affordable.

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

2.2 The Department's Forecasting Improvement Programme has delivered improved methods and guidance for cost forecasting and has improved the coverage of Independent Cost Estimates in the Equipment Support Programme. Building on this work, the Materiel Strategy plans to establish a dedicated Project Controls function within DE&S. This will draw on the private sector expertise of the Managed Service Providers and put in place improved procedures for cost estimating, cost control and scheduling. The Department is continuing to work closely with HMRC to ensure a clear and consistent approach to the treatment of VAT.

3: Committee of Public Accounts conclusion
The Committee is not confident that the Department can deliver all the efficiency savings required from its equipment budgets.

Recommendation:
The Department should report annually in its Major Projects Report on its progress delivering the savings it requires to maintain an affordable Equipment Plan.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 The Department will continue to report annually on the progress made on delivering savings within Defence Equipment Plan. However, the Department believes that it is more appropriate to report this through the Equipment Plan document, which looks at the affordability of the Equipment Plan as a whole, rather than the Major Projects Report, which focuses on the through life costs of the largest post Main Gate defence projects.

4: Committee of Public Accounts conclusion
DE&S still lacks the skills it needs to provide the required level of performance.

Recommendation:
DE&S should set out as a matter of urgency how it plans to use the pay freedoms and flexibilities it has negotiated with Treasury to improve its skills.

4.1 The Government agrees with the Committee's recommendation.

Target Implementation date: July 2015.

4.2 DE&S will set out how it plans to use its pay freedoms and flexibilities by July 2015. DE&S will use these freedoms to attract and recruit skilled professionals into the organisation, and to incentivise a performance culture based on the application of skills to achieve DE&S objectives. Incentives such as higher starting pay for specific recruitment campaigns, and selected use of recruitment and retention allowances to attract and retain scarce skills in the workforce, are already being deployed.

4.3 As DE&S transforms, a new people model and underpinning reward strategy will be developed and implemented. This will lead to a fundamental overhaul of performance and reward systems and an alignment to professional roles that are analogous in content, expectation of delivery and remuneration to those in industry. Skills improvement will be delivered through the recruitment process and professional career development throughout the employee lifecycle. The performance system will reward individual contributions towards the delivery of DE&S outputs as well as identifying, dis-incentivising and tackling performance that does not demonstrate the standard expected by the professional heads of each function.

5: Committee of Public Accounts conclusion
DE&S is planning to spend £250 million over the next three and a half years on contractors to advise on how it can reduce its over-reliance on contractors.

Recommendation:
DE&S should set out the measures it will use to ensure successful skill transfer from consultants to permanent staff over the next three and a half years, rather than continuing to buy in expensive contractor support.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 The contracts with the Managed Service Providers place an obligation on them to provide skills transfer to DE&S staff. This is assessed on a quarterly basis and used to determine an element of their fee. In addition, the Department is working to agree further measures with the Managed Service Providers that will raise the level of skills within DE&S. This may initially be through input based measures such as training delivery and recruitment, moving to more output based measures as the DE&S transformation programme matures, to provide evidence that DE&S skills gaps are being closed.

6: Committee of Public Accounts conclusion
There remain risks to recruiting the required number of regular and reserve soldiers to deliver Army 2020

Recommendation:
The Department should set out how it intends to address any shortfall in recruiting the required numbers of regular and reserve soldiers.

6.1 The Government accepts the Committee's recommendation.

Target Implementation date: April 2019.

6.2 The Department acknowledges that the programme to deliver the right capability mix to the Army is challenging. It closely scrutinises the recruitment of Regular and Reserve soldiers, both at a departmental and single service level through a number of boards and assurance processes to ensure the correct incentives and policies are in place to keep recruitment and retention on track.

6.3 Through the scrutiny process, potential issues are identified ahead of time, allowing for mitigation measures to be put in place. The Army has a range of levers at its disposal which it is using to encourage recruitment both to the regular and reserve forces.

6.4 Significant mitigating actions have already been taken to stimulate recruitment and these are already having an effect. Figures show that regular inflow is up by 16% in Financial Year 2014-15 compared with the previous year and reserve inflow was up by 76% over the same period.

Forty Eighth Report of Session 2014-15
Department for Environment, Food & Rural Affairs
Strategic Flood Risk Management

Introduction from the Committee

The Environment Agency estimates that 1 in 6 homes in England are at risk of flooding from coastal, river and surface water. Climate change means that the weather is becoming more unpredictable, leading to increased risk of severe weather. Effective flood risk management is important so that the country is in the best position to protect against these risks, and to safeguard homes, communities, businesses and infrastructure. The Department for Environment, Food and Rural Affairs has national policy responsibility for flood risk management and the Agency has a strategic overview role and is responsible for the management of flood risk from main rivers and the sea.

On the basis of a report by the National Audit Office, the Committee took evidence on 24 November 2014 from the Department for Environment, Food & Rural Affairs and the Environment Agency about strategic flood risk management in England. The Committee published its report on 25 March 2015. This is the Government response to the Committee report.

Background resources

- NAO report: *Strategic Flood Risk Management* - Session 2014-15 (HC 780)
- PAC report: *Strategic Flood Risk Management* - Session 2014-15 (HC 737)

1: Committee of Public Accounts conclusion:
There are major risks to the sustainability of current levels of flood protection, which could impact on long-term value for money

Recommendation:
The Department should work with the Treasury on lengthening the budget settlements for revenue funding, so that the Agency and others can plan for the longer term. The Agency's new long term investment strategy should be used as a basis to negotiate future settlements.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2015.

1.2 The Government has a sustainable evidence based approach to strategic flood risk management, driven by local consultation and engagement. £3.2 billion has been invested in flood management and defences since 2010, which is a real terms increase of half a billion pounds more. There is a six-year commitment of £2.3 billion that will protect an additional 300,000 homes and reduce overall flood risk by 5%.

1.3 In December 2014, the Environment Agency published *Flood and coastal erosion risk management: long-term investment scenarios (LTIS) 2014.*[2]. The document analyses the costs and benefits of flood and coastal erosion risk management in England and indicates that current spending plans are broadly in line with an estimated optimum investment profile. It shows the effect of different levels of investment over the next 50 years to obtain the most cost effective reduction in risk. The Department will use the Scenarios, along with additional supporting evidence, when considering the need for future investment in flood and coastal erosion risk management. Future spending decisions will be considered in the course of any future spending review.

[2] www.gov.uk/government/publications/flood-and-coastal-risk-management-in-england-long-term-investment

2: Committee of Public Accounts conclusion:
Reducing the spend on maintaining some flood defences may be a false economy, as additional spending could be needed if those defences then fail earlier than they would otherwise have done.

Recommendation:
The Agency should review what impact its decisions on reducing or stopping maintenance will have on longer term value for money.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2017.

2.2 The Environment Agency is introducing new technology and new ways of working through its Creating Asset Management Capacity programme. The Environment Agency will gather more detailed information on individual Flood and Coastal Erosion Risk Management (FCERM) assets, including their maintenance needs, replacement costs and rate of deterioration to implement this programme. This will ensure the Environment Agency continues to improve value for money whilst maintaining flood risk assets.

3: Committee of Public Accounts conclusion:
There is a lack of transparency around the consequences of allowing some defences to fail.

Recommendation:
The Agency should be open and transparent with local communities and communicate clearly to them the consequences of the difficult decisions it has to make around prioritising maintenance, even allowing for the local pressure this may bring.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2017.

3.2 The Environment Agency is introducing new technology and new ways of working through its Creating Asset Management Capacity programme. This is designed to allow a more detailed maintenance programme to be shared in a consistent way. The Environment Agency will also present this information more transparently to the public on the GOV.UK website.

3.3 The Environment Agency will continue to engage with interested local parties, including other risk management authorities (Lead Local Flood Authorities and Internal Drainage Boards), Regional Flood and Coastal Committees, Natural England (where their consent is required to undertake maintenance work) and other local community groups and organisations. The Environment Agency will explain what maintenance work can be carried out with FCERM Grant in Aid funding, describe changes to the annual programme and identify opportunities to work with local organisations to co-ordinate maintenance plans.

3.4 The Environment Agency has developed a Maintenance Protocol[3], which describes the principles for deciding which assets to maintain; how the Environment Agency will involve local communities; and how a decision to stop maintenance on a permanent basis should be communicated.

4: Committee of Public Accounts conclusion:
The approach to accessing partnership funding does not yet have the strategic focus needed to match government's ambitions for it.

Recommendation:
The Department and the Agency should implement a clear strategy for accessing partnership funding, which should include understanding what best practice looks like, so the lessons from successful schemes can be applied elsewhere.

[3] www.gov.uk/government/publications/flood-and-coastal-asset-maintenance-the-environment-agencys-approach

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: Summer 2016.

4.2 The Department expects the 6 year flood and coastal erosion risk management investment programme[4] could attract over £600 million of partnership contributions, of which £250 million has been secured, and potential contributions to cover some of the remainder have been identified. In April 2014, an evaluation of Partnership Funding: *Flood Risk Management Partnership Funding Evaluation - FD2663*[5], found the approach was progressing well in meeting policy objectives.

4.3 The Department and the Environment Agency are jointly working with partners to identify ways to raise contributions, which includes carrying out a partnership funding learning programme and publishing 15 good practice partnership project profiles. To encourage more private sector contributions, legislation was introduced in Finance Bill 2015 to ensure companies and unincorporated businesses can receive tax relief on their contributions to FCERM schemes.

5: Committee of Public Accounts conclusion:
The Agency could do more to share flood modelling information so there is a consistent view at a local level of flood risk.

Recommendation:
The Agency should work with partners to build on the sophistication of flood modelling data, so stakeholders can have a shared view of flood risk, both nationally and locally.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2016.

5.2 The Environment Agency already publishes its national assessment of the Risk of Flooding from the Rivers and Sea (RoFRaS) in an Open Data format, which is available to stakeholders and the public. Following the flooding in 2013-14, the Environment Agency is updating this assessment, and the modelling behind it, to take account of new information. The Environment Agency will share this in early 2016.

5.3 The Environment Agency is producing an assessment of flooding from all sources – rivers, sea, surface water and ground water – which will be shared with the insurance industry by December 2015. As part of this work, the Environment Agency is updating the digital systems supplying the *What's in your backyard?*[6] website to ensure the public are aware on what they need to do to manage flood risk.

6: Committee of Public Accounts conclusion:
Local authority flood strategies are crucial to the success of flood risk management, but a very significant number are incomplete.

Recommendation:
The Department should use all opportunities available - including working with the Department for Communities and Local Government - to ensure a complete set of plans is in place at local authority level as soon as possible.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2016.

6.2 The Department has been working with the Department for Communities and Local Government (DCLG), the Local Government Association, the Environment Agency and the Regional Flood and Coastal Committees to encourage Lead Local Flood Authorities (LLFAs) to target priority areas

[4] *Reducing the risks of flooding and coastal erosion: an investment plan 2014*
[5] randd.defra.gov.uk/Default.aspx?Menu=Menu&Module=More&Location=None&Completed=0&ProjectID=18734
[6] www.gov.uk/check-local-environmental-data

and ensure local flood risk management strategies are developed and published quickly. The Department has emphasised the importance of LLFAs completing their strategies in 2014, and to targeted authorities in April 2015.There was an increase in the number of strategies under public consultation or published by March 2015. The Department will continue to work with DCLG and others to target engagement with LLFAs.

6.3 The Department is evaluating the effectiveness of local flood risk management under the Flood and Water Management Act 2010. This evaluation is expected to conclude in autumn 2015 and should identify any barriers that local authorities face in completing their strategies.

7: Committee of Public Accounts conclusion:
There is a lack of public awareness of the realities of flood risk management.

Recommendation:
The Agency should consider how to improve the understanding of third parties who have responsibilities for flood defences. It should be more explicit about the realities of flooding and the impact of the choices that are made in removing flood defences.

7.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2016.

7.2 The Environment Agency inspects the condition of all third party assets on main rivers and notifies third party owners of any concerns. This is explained in the Environment Agency's position statement *Asset management – working with third party asset owners*[7]. The Environment Agency also provides information to help third party asset owners, for example, in its *Living on the Edge*[8] booklet.

7.3 The Environment Agency and other risk management authorities have the power to designate features. This means they can notify owners to let them know they own a flood risk management asset and provides the risk management authority with some control over changes to that asset. This power in the Flood and Water Management Act 2010 commenced in 2012. Risk Management Authorities have the power to require a third party to re-instate a structure if it has been removed. Third party assets that have not been designated are protected from changes by byelaws in some cases.

7.4 The Environment Agency has been developing guidance with other risk management authorities to support designations and this is being tested at a number of pilot locations. Following this, the Environment Agency will revise and publish this guidance.

[7] Position statement 185_07 - Asset management – working with third party asset owners
[8] www.gov.uk/government/publications/riverside-ownership-rights-and-responsibilities

Forty Ninth Report of Session 2014-15

HM Revenue and Customs

The effective management of tax Reliefs

Introduction from the Committee

Tax reliefs form a distinct part of the tax system. New tax reliefs, and proposed changes to reliefs, are introduced through the annual Finance Bill, at which time their expected costs to the Exchequer are published. The Treasury has lead responsibility for the policy design of tax reliefs, while HMRC is responsible for managing their implementation. Tax reliefs add to the complexity of the tax system and they carry risks, such as the possibility of them being used for tax avoidance. HMRC has the responsibility for ensuring such reliefs are effectively administered and meet the purpose intended by Parliament.

On the basis of a report by the National Audit Office, the Committee took evidence, on 14 January 2015, from HM Revenue and Customs, and the Treasury on their management of tax reliefs. The Committee published its report on 26 March 2015. This is the Government response to the Committee's report.

Background resources

- NAO report: Effective management of tax reliefs - Session 2014-15 (HC 785)
- PAC report: Effective management of tax reliefs – Session 2014-15 (HC 892)

1: Committee of Public Accounts conclusion

HMRC has not recognised fully its responsibilities for assessing the value for money of tax reliefs.

Recommendation:

Government may choose to implement particular policy objectives through tax reliefs. These decisions should be subject to the same examination of economy, efficiency and effectiveness as its pursuit of policy objectives through expenditure. HMRC should draw up a set of principles to guide its management and reporting of tax reliefs which make clear how it will discharge its responsibility to monitor, evaluate, and assess tax reliefs

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: September 2015

1.2 The Department is working to assess the effectiveness of its management and reporting of tax reliefs. Departmental policy leads will consider the tools currently used to monitor tax reliefs and evaluate their effectiveness. The objective is to compile a best practice document to promote uniform and effective monitoring of reliefs across all the taxes. This document will be shared across the Department's policy community

1.3 This is part of a wider piece of cross-Government work that the Department is currently engaged in, which will develop and embed standards for policy making, as part of the *12 Actions to Professionalise Policy Making* - a report by the Civil Service Heads of Policy Profession.

2: Committee of Public Accounts conclusion

HMRC does not maintain or publish a complete and accurate list of tax reliefs setting out what each is intended to achieve.

Recommendation:

HMRC should set out how it intends to improve transparency of the costs of tax reliefs to Parliament. HMRC should publish and maintain an up to date list of tax reliefs using a definition agreed with the Office of Tax Simplification that sets out each relief's purpose and its cost to the Exchequer.

2.1 The Government disagrees with the Committee's recommendation.

2.2 Both Departments are of the view that it is not possible to arrive at a definition of tax reliefs that will enable a definitive and complete list of reliefs to be produced. It is not always clear which of the many provisions within the tax system which allow for no tax, or a reduced rate of tax, to be paid, should be within a definition of reliefs. Some of these provisions can be regarded either as reliefs or as structural features of the tax system, for example: to achieve progressivity. More generally, the purpose and objectives of some reliefs are multi-faceted.

2.3 The Department already publishes a list of some 400 reliefs on an annual basis, with forecasts and historical estimates for around 200 of these. This represents good practice by international standards. The Department has given a commitment to review the classification of reliefs for the next statistical publication in December 2015.

2.4 The purpose of all policy measures which introduce or modify tax reliefs is clearly set out in the Tax Information and Impact Notes, and previously in Regulatory Impact Assessments.

3: Committee of Public Accounts conclusion

Tax reliefs add to the complexity of the system and may be exploited as a way of avoiding tax. HMRC does not effectively monitor changes in the cost of tax reliefs so is slow in identifying instances where a relief is being exploited for a purpose Parliament did not intend.

Recommendation:

HMRC should regularly monitor variances between its forecasts of what tax reliefs will cost and what they actually cost. Where costs significantly exceed forecasts, it should seek positive evidence that the relief is working as intended and not being targeted for tax avoidance.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2015.

3.2 The Department agrees it would be helpful to show cost estimates based on actual data when these become available, and provide notes on material changes. The Department plans to make this change with the next annual publication on tax reliefs, scheduled for December 2015.

3.3 The Department further agrees that it is useful to compare actual data with forecasts where practical. However, separating the effect of a policy change from the effect of other underlying economic variables or behaviour is not possible with any degree of certainty. For some established reliefs, variances in costs will be clearly due to economic factors and in these circumstances the Department would not always consider it cost effective to undertake further analysis.

3.4 The Department monitors the tax system as a whole and administers tax reliefs as part of that broader role. Both Departments work together through the policy partnership to appraise and evaluate all aspects of the tax system, including identifying if reliefs are being targeted for tax avoidance purposes.

4: Committee of Public Accounts conclusion

HMRC does not systematically evaluate the effectiveness of all tax reliefs intended to change behaviour.

Recommendation:

Where the objective of a relief is to influence the behaviour of taxpayers, HMRC should regularly evaluate and report on whether it is achieving the desired impact and is doing so in a cost effective manner.

4.1 The Government disagrees with the Committee's recommendation.

4.2 Over the past five years, the Department has commissioned and published around 250 external research reports, many of which are evaluative in nature and cover the use of reliefs. It currently spends around £4 million annually on external research and has a rigorous prioritisation process for allocating this budget.

4.3 With research undertaken for a range of reasons, including policy development, it is not practical to evaluate all reliefs with behavioural objectives on a regular basis. It is often the case that monitoring is more cost-effective and timely process for reviewing the use of reliefs in accordance with their intended purpose. This also allows for the use of reliefs to be appraised in the wider context of the related area of the tax system, rather than in isolation. Nevertheless, the Department has a substantial number of analysts preparing evaluative work in-house to inform tax policy development.

4.4 The Department has also set up a Datalab - open to academics - which is enabling a number of independent research projects to be undertaken on the impacts of tax reliefs.

5: Committee of Public Accounts conclusion
Departments' budgets are set without taking into account the cost to the Exchequer of relevant tax reliefs.

Recommendation:
The cost of spending and expenditure on tax reliefs should be considered alongside one another in setting annual departmental budgets so that the true level of financial support to each area of public policy is transparent.

5.1 The Government disagrees with the Committee's recommendation.

5.2 As set out in the Department's Treasury Minute response (September 2014 – Cm 8938) to the 3rd PAC report on Tax Reliefs, taxation and expenditure are fundamentally different. There are different lines of accountability for tax and spending, as well as different scrutiny arrangements. These arrangements reflect the fact that tax reliefs are revenue foregone to the Exchequer and not consumption of resources equivalent to public spending. While tax reliefs and public spending may sometimes have similar economic effects, there is an underlying difference.

5.3 Furthermore, it would be wholly impractical to seek to control the revenue foregone from tax reliefs in the same way as public expenditure, given that the former results from spending decisions of private individuals and businesses, which are not within the control of the Government.

5.4 Successive Governments have regarded tax and spending as qualitatively different and Parliament makes decisions on them in different ways. Maintaining a clear distinction between spending and revenue provides greater transparency for taxpayers and Parliament.

Fiftieth Report of Session 2014-15

HM Revenue and Customs

Improving tax collection

Introduction from the Committee

HMRC administers the tax system and is responsible for putting tax rules into practice. Since 2010, HMRC's primary focus has been to increase the collection of tax revenues, while at the same time reducing the costs of collecting tax and providing a better service to customers. HMRC interacts with over 45 million people and almost 5 million businesses and collects around £500 billion of tax each year. It is important that people have confidence in the way that HMRC works and that it administers the tax system fairly while promoting a culture of compliance. This report draws out some of the major issues the Committee has identified regarding the administration of the tax system and recommends further actions to address the areas of our greatest concern.

On the basis of a report by the National Audit Office, the Committee took evidence, on 11 February 2015 from HMRC on how it has responded to the Committee's recommendations made during Parliament (2010-15). The Committee published its report on 26 March 2015. This is the Government response to the Committee report.

Background resources

- NAO report: *Increasing effectiveness of tax collection: a stocktake of progress since 2010 – Session 2014-15* (HC 1029)
- PAC report: *Improving tax collection* – Session 2014-15 (HC 974)

1: Committee of Public Accounts conclusion

The complexity of tax law and the constraints on HMRC's resources mean that it is fighting an uphill battle against those who are determined to cheat the tax system.

Recommendation:

HMRC could collect more of the tax that is due if it had more resources devoted to this work and it should be assertive about making this case to HM Treasury and Parliament. It should set out how much additional tax it could collect if it was granted more funding to build its capability in the most critical areas.

1.1 The Government disagrees with the Committee's recommendation.

1.2 Throughout this Parliament, the Department has worked extensively with the Treasury to fully explore the impact of alternative resourcing options in order to maximise revenues, including investment in people, process change, and IT and data capability. As part of the Department's Spending Review 2010 settlement, £917 million was reinvested to tackle evasion, avoidance, criminal attack and debt to generate an additional £7 billion compliance revenue per year by 2014-15. Together with funding at other fiscal events, the Government has invested, more than £1 billion in HMRC to tackle non-compliance including evasion and avoidance.

1.3 The Department has since continued to work with the Treasury to invest in a range of compliance activities from helping customers to get things right, to enhancing the Departments risking systems. The Department generated additional compliance revenue in 2013-14 of £23.9 billion, more than in any previous year, and is expected to have delivered over £26 billion in 2014-15.

2: Committee of Public Accounts conclusion
The Committee remained concerned that some multi-national companies who transact business in the UK are not paying the appropriate amount of tax.

Recommendation:
HMRC and the Government must set out how they will tackle tax avoidance by multi-national companies more robustly, rather than waiting for the OECD's work to bear fruit. This should include introducing new offences to penalise those involved in advising or helping companies and individuals avoid or evade tax.

2.1 The Government disagrees with the Committee's recommendation.

2.2 The department and the Government are already taking robust action against tax avoidance by multi-national companies. The department subjects large businesses, including multinationals, to an exceptional level of scrutiny approach secured £31 billion extra tax between 1 April 2010 and 31 March 2014 from 10,000 largest businesses. Our Large Business Directorate is responsible for around 2000 of these businesses, of which almost half were under enquiry at 31 March 2015

2.3 The Government has already acted to implement two early outcomes of the OECD's Base Erosion and Profit Shifting (BEPS) project, in relation to hybrid mismatches, which are financial instruments or corporate entities used to avoid tax, and a country by country reporting template for multinational companies to provide information on profits and taxes paid to tax authorities for risk assessment purposes. The Government anticipates that it will implement other measures once the BEPS project concludes in December 2015. In addition, from 1 April 2015, a new Diverted Profits Tax counteracts the use of contrived arrangements by multinationals to divert profits from the UK.

2.4 Legislation, introduced in 2014, requires high-risk promoters of tax avoidance schemes to change their behaviour voluntarily and, if they do not do so, provides the department with a range of powers affecting the promoters, their intermediaries and their clients – including the power to name promoters and fines of up to £1 million. The Government has also announced a new corporate criminal offence for failure to prevent tax evasion, and new civil sanctions including a collateral penalty based on that charged on the individual tax evader and naming provisions for enablers of offshore tax evasion. Both of these will be consulted on over the summer.

2.5 The Government is asking regulatory bodies to take a greater lead and responsibility in setting and enforcing clear professional standards around the facilitation and promotion of avoidance to protect the reputation of the tax and accountancy professions and to act for the greater public good.

3: Committee of Public Accounts conclusion
The Committee is concerned that HMRC's relationship with large accountancy firms is too cosy. For as long as the UK has such a complex tax code, opportunities for aggressive tax avoidance and evasion will continue to be exploited.

Recommendation:
HMRC and HM Treasury should renew their efforts to review all tax reliefs and radically reduce the number in the tax code.

3.1 The Government disagrees with the Committee's recommendation.

3.2 Both Departments monitor the tax system as a whole and administer tax reliefs as part of that broader role, working together to appraise and evaluate all aspects of the tax system, including identifying if reliefs are being abused. Both Departments are currently working to assess the effectiveness of the management and reporting of tax reliefs as part of a wider piece of cross-Government work, and are committed to a simpler tax system to ensure taxpayers can better understand and comply with their obligations.

3.3 The Office for Tax Simplification (OTS) has delivered significant reviews on tax reliefs leading directly to the removal of 43 tax reliefs. Through consultation with taxpayers and their intermediaries, OTS work has enabled greater simplification and tackled legislative complexity.

3.4 Accounting Officers in central Government take personal responsibility to assure Parliament and the public of high standards of probity in the management of public funds. The number and scope of tax reliefs are matters determined by Parliament.

4: Committee of Public Accounts conclusion
There are not enough prosecutions for tax evasion to act as an effective deterrent to those who break the law.

Recommendation:
HMRC should gather evidence to establish the effectiveness of prosecutions in deterring tax evasion by wealthy individuals. HMRC should work with the Crown Prosecution Service to significantly increase the number of prosecutions.

4.1 The Government disagrees with the Committee's recommendation.

4.2 The Department updated the Committee on its research into the effectiveness of prosecutions in deterring tax evasion. This research indicates a deterrent effect from visibly enforced criminal sanctions in certain circumstances. Over a third of individuals said the chance of prosecution was sufficient to deter businesses and individuals from regularly evading tax. The Department will continue to build the evidence base on its compliance activity, including in relation to wealthy individuals.

4.3 The Department has already put on record that it was increasing the proportion of prosecutions across the range, and it has done that fivefold in the past three years. While civil interventions are often the most cost effective means of securing the tax due, the Department recognises prosecutions can send a strong deterrent effect to prevent significant further losses from the Exchequer.

4.4 The absence of detailed information in the past relating to assets held offshore made investigations difficult, complex and required cooperation from other jurisdictions. This is changing with the use of increased data sharing and more sophisticated data analytics capable of fully exploiting third party information, including that received from other tax administrations under the new Common Reporting Standard. The Department has a strong collaborative relationship with the Crown Prosecution Service, which it will continue to build.

4.5 The Department will also consult on further measures to toughen the consequences for tax evaders and those who help them. In Budget 2015, the Chancellor announced consultations on two new criminal offences targeted at offshore tax evasion: a strict liability criminal offence for failure to declare income and gains, so the Department does not have to prove intent; and a corporate criminal offence for failure to prevent tax evasion to tackle enablers of evasion.

5: Committee of Public Accounts conclusion
The Committee welcomes new powers obtained by HMRC to tackle marketed tax avoidance, but the number of unresolved cases is still a major concern.

Recommendation:
HMRC should set a timetable and a trajectory for bringing down the number of open cases that relate to marketed tax avoidance schemes. HMRC should also consider where else in its business it could strengthen its compliance approach by applying the same principles it has used to address marketed avoidance schemes.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2016.

5.2 A timetable for bringing down the number of open cases will be set once the behavioural impact of issuing Accelerated Payments is clear. As a matter of routine, the Department considers the application of best practice approaches from inside and outside the Department, to further strengthen its compliance approach. The Department is targeted to issue 43,000 Accelerated Payment notices by 31 March 2016, and a further 21,000 during 2016-17. This will result in all existing users of marketed avoidance schemes that are eligible for a notice, receiving one by 31 March 2017.

6: Committee of Public Accounts conclusion
The Committees evidence shows that some HMRC customers receive an unacceptable quality of service. HMRC accepts that its recent customer service performance has not been

Recommendation:
HMRC should aspire to provide a service on a par with good practice in the private sector to all its customers, and should set out how and when it will achieve this.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2020.

6.2 The Department is committed to transforming the way customers interact with it. New digital tax accounts will be key, providing individuals, small businesses and their agents with control of their tax affairs via a secure, personalised tax account. This will enable them to register for new services, update their information online, and more easily understand their obligations. The use of technology to remove the need for low value customer contact will enable the department to deploy staff more effectively.

6.3 Telephony support will be available for customers who need it. From 2015-16, the Department aims to achieve a consistent level of service across our helplines; handling at least 80% of calls received, and replying to at least 80% of customer correspondence within 15 working days and 95% in 40 days. The Department appreciates that customers find tax complex and will continue to make it easier for them to understand and comply with their obligations. When customers have multiple issues, the Department will aim to deal with them in one go. The Tax and Tax Credit cycles mean there are identifiable spikes in demand during the year, such as during the Self-assessment deadline. The Department is getting better at flexing its resources to meet these spikes.

6.4 The Department now offers midsize businesses specialist tax help, including temporary access to a named individual during times of significant change. It is also piloting a new support model for the fastest growing businesses and will continue to man-mark large businesses. For vulnerable customers, the Department has introduced a Needs Enhanced Support service which will work closely with the voluntary sector to ensure that its approach to these customers matches their needs.

7: Committee of Public Accounts conclusion
The Committee is disappointed by HMRC's handling of whistleblowers. The Committee considers that HMRC's use of powers reserved for tackling serious criminals against Mr Osita Mba was indefensible.

Recommendation:
HMRC should tell us when it makes use of the powers granted to it under the Regulation of Investigatory Powers Act against whistleblowers from within HMRC. It should also provide us with the information on whistleblowing that its audit and risk committee receives so that we can gain assurance over the appropriateness of HMRC's approach to managing whistleblowers.

7.1 The Government disagrees with the Committee's recommendation.

7.2 The Department makes use of the investigative techniques permitted by the Regulation of Investigatory Powers Act (RIPA) within the bounds of the law. RIPA Powers are only directed against subjects that meet the strict tests contained within the Act. The Department's use of RIPA powers is overseen and assured by the Surveillance Commissioners and the Interception of Communications Commissioner, both of whom report to the Prime Minister and to Parliament. Anyone who believes they may have been a victim of unlawful action under RIPA may seek redress through HMRC's normal complaints channels as well as through the Investigatory Powers Tribunal. The Department considers that it would be inappropriate to share details of the operational use of RIPA powers with the Committee.

7.3 The Committee has already seen and discussed the Department's *Whistleblowing and Raising a Concern* policy and processes and has deemed them appropriate. The Department's Audit and Risk Committee biannually receives statistical reports of whistleblowing concerns raised by type and outcome. The Department considers that it would be inappropriate to share this level of operational detail with the Committee.

Fifty First Report of Session 2014-15

Department of Health

Care services for people with learning disabilities and challenging behaviour

Introduction from the Committee

The Department of Health has lead responsibility for delivering the commitments made by Government, following the Winterbourne View scandal in 2011. In December 2012, the Government made a commitment that, if a person with a learning disability and challenging behaviour would be better off supported in the community, then they should be moved out of hospital by 1 June 2014. The Department sets the strategy to meet the Government's commitment, improve quality and safety, enable change and measure and monitor progress. In line with the Health and Social Care Act 2012, NHS England, mental health hospitals, and local health and social care commissioners determined how to meet the commitment. However, the Government failed to meet its pledge and the number of patients in hospital has been broadly stable over the last year (3,250 in September 2013 and 3,230 in September 2014).

The National Audit Office estimated that the NHS spent £557 million in 2012-13 on services for inpatients in mental health hospitals with learning disabilities and challenging behaviour. In addition, local authorities with adult social services responsibilities spent £5.3 billion (2013-14) on services for adults with learning disabilities.

On the basis of a report by the National Audit Office, the Committee took evidence, on 9 February 2015, from the Department of Health, NHS England, ACEVO and the Challenging Behaviour Foundation on progress in implementing the Transforming Care programme. The Committee published its report on 27 March 2015. This is the Government response to the Committee's report.

Background resources

- NAO report: *Care Services for People with Learning Disabilities and Challenging Behaviour* - Session 2014-15 (HC 1028)
- PAC report: - *Care Services for People with Learning Disabilities and Challenging Behaviour* - Session 2014-15 (HC 973)

1-2: Committee of Public Accounts conclusion:

1: The continued operation of large mental health hospitals is incompatible with the Departments model of care for people with learning disabilities and challenging behaviour.

2: It is a fundamental failing that the Department currently lacks the data it needs to deliver its policy objectives for people with learning disabilities.

Recommendation:

The Department should mandate the timely collection of a consistent dataset on people with learning disabilities and challenging behaviour, to inform effective planning and management of their care, and to monitor their movements through health services, social services, and the criminal justice system.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 Data collection for this group of people is already mandatory for NHS and joint NHS and local authority funded care through the Mental Health and Learning Disabilities Data Set (MHLDDS). In time, care that is funded solely by a local authority will also be included.

1.3 The Health and Social Care Information Centre (HSCIC) is developing the MHLDDS further including addressing submission of data by all relevant organisations and overall quality of the data submitted. The Department commissioned the HSCIC to undertake a learning disability census of people in inpatient hospital settings. The first census took place in 2013 and was repeated in 2014. The HSCIC has published national, regional and local level data from the census. The census will be repeated in 2015 and data reported in December 2015.

1.4 In 2013, NHS England also started a quarterly data collection, called *Assuring Transformation* to track progress from clinical commissioning groups and NHS specialised commissioners The HSCIC is now responsible for collecting and reporting the Assuring Transformation data. The HSCIC has also compared data from the census and Assuring Transformation to explain and address any differences from the two data sources. The aim is to give local commissioners an accurate record to drive performance and quality improvements, as well as enabling data to be aggregated to understand the trends at a national level.

1.5 HSCIC is working with the Department of Health, NHS England and others to incorporate key data from the census and Assuring Transformation into the Mental Health Services Single Data Set (MHSDS, will replace MHLDDS) from January 2016.

3: Committee of Public Accounts conclusion:
Current commissioning practice for people with learning disabilities is not delivering the high-quality community-based care envisioned by the Department in its model of care.

Recommendations:
NHS England should use its commissioning framework to require local commissioners to comply fully with the Department's stated aim to promote community based services rather than hospital admissions for people with learning disabilities.
The Department should set out the responsibilities on local health and social care commissioners to put in place commissioning strategies which ensure an adequate provision of the range of community services and housing required by people with learning disabilities and challenging behaviour.

3.1 The Government agrees with the Committee's recommendations.

Target implementation date: Spring 2016.

3.2 Transforming Care already includes changing commissioner behaviour as one of its core objectives. In its planning guidance for 2015-16, NHS England has included measures to steer the approach that commissioners should take in order to reduce reliance on inpatient care. Further measures will be included in the 2016-17 guidance.

3.3 NHS England is developing a new service model and framework which will underpin the new commissioning approach. This work is being done in partnership with the Local Government Association (LGA) and Association of Directors of Adult Social Services (ADASS), and with input from a wide range of stakeholders. The service model will describe the range of support and services people with learning disabilities and their carers can expect. It will provide a consistent framework to be used across England.

3.4 The Care Act requires local authorities to develop a market that delivers a wide range of sustainable high-quality care and support that will be available to their communities.

4: Committee of Public Accounts conclusion:
The lack of pooled health and social care budgets exacerbates the inadequate levels of community services, resulting in unnecessary admissions of people with learning disabilities to mental health hospitals, and delays in their discharge back to their community.

Recommendation:
The Department should mandate the use of pooled budgets for people with learning disabilities and challenging behaviour from April 2016, to build improved community services through joint working by local health and social care commissioners.

4.1 The Government disagrees with the Committee's recommendation.

4.2 The Department is still considering the potential use of the relevant legislation to mandate the creation of pooled budgets for this purpose. This was a specific question asked in the consultation paper on the Green Paper and the Department is currently considering the responses it has received on this matter.

5: Committee of Public Accounts conclusion:
Discharges are being delayed because funding does not follow the patient.

Recommendation:
The Department should identify how funding can follow the patient to meet the costs of new community services to keep people out of hospital. It should also set out the arrangements for its proposed 'dowry-type' payments to local commissioners from NHS England to meet the costs of supporting people discharged from hospital.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2016.

5.2 The Department is working closely with NHS England, Local Government Association and other partners to deliver the commitments in Transforming care and the Winterbourne View Concordat. This includes understanding the key challenges and issues impacting on the development of community based support and provision. Ensuring that funding and resources are in the right place to support the transfer of people from inpatient settings to other more appropriate support has been identified as a programme priority.

5.3 NHS England is already looking at the blockages and will develop proposals on encouraging health and local authority commissioners to work together to use funding that is already in the system to commission services to support people more effectively according to their needs. NHS England is considering how payments to the transfer of care responsibilities for long stay patients would work in practice. Funding transfers would only be applicable for a small cohort of patients and the Department and NHS England are also exploring the use of non-recurrent 2015-16 transformation funding to deliver the broader changes necessary for the achievement of programme objectives including the investment in new community services.

6: Committee of Public Accounts conclusion:
People with learning disabilities, and their families, have too little influence on decisions affecting their admission to mental health hospital, their treatment and care and their discharge.

Recommendation:
The Department should strengthen the legal rights of people with learning disabilities and their families, to enable them to challenge decisions on the location and nature of their treatment and to ensure that they receive advocacy support in doing so.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: May 2016.

6.2 The consultation on the Green Paper: *No voice unheard, no right ignored* launched on 6 March 2015 concluded on 29 May 2015. The Green Paper seeks to strengthen the rights of people with mental health issues, learning disabilities and autism so they can live independently, be included in their community, and make choices about their own lives. It covers stronger provisions for patients and advocates challenging care decisions and admissions or request transfers or discharges, contains provisions to reinforce rights and entitlements for individuals and their families and proposes changes to the Mental Health Act 1983. The Government will set out next steps in its formal response to the consultation.

Fifty Second Report of Session 2014-15

HM Treasury

Work of the Committee of Public Accounts 2010-15

Summary from the Committee (abridged)

Since 2010, the Committee has scrutinised the value for money secured from public spending against a backdrop of unprecedented austerity. Tighter spending plans have required not just a trimming of public services, but a full scale re-think about how services could best be delivered. The Committee's focus has been to look at the way in which programmes and projects have been implemented to ensure they deliver value for money, regardless of their individual views on the underpinning policy.

The Committee took a keen interest in revenue collection, most notably tax avoidance, which caught public and political attention. It brought into focus the proliferation of a tax avoidance industry aimed at exploiting loopholes and complexity in UK tax laws to deprive the Exchequer of much needed funds.

The Government's agenda to reform public services has seen a shift towards more varied delivery models involving more private and third sector providers, as well as more localised delivery. These changes have required the Committee to think carefully about the way accountability should work and whether the arrangements put in place for localised services are sufficient to protect public money.

The Committee examined many localised services, ranging from roads and flood defences to health and education. The Committee identified successes, such as the Troubled Families programme, where close working by central and local bodies led to intelligent planning and effective delivery - this was a model of good accountability.

The Committee looked at the relationship between contractors and Government, where contractors have used their greater commercial skills to negotiate advantageous terms, yet they have not been held properly accountable for their performance. For example: the Committee examined instances where poor contracting oversight and low standards of integrity among providers had led to money being paid out where services have not been delivered.

The Committee's view of value for money delivered across all Government Departments, covering a broad range of projects and programmes, has identified systemic issues and challenges that came up time and again. The Committee pushed hard to raise the level of commercial, financial, IT and project delivery skills across Government. The Committee championed the introduction of the Major Projects Authority; and raised the bar for financial skills in Government to ensure that projects, like the Defence Major Projects portfolio, were delivered by individuals with the expertise needed to calculate realistic costs and manage budgets; and ensuring individuals staying in their jobs for longer, so that they can complete important projects.

The Committee recognises the commitment and achievements of those who work in public services and are conscious of the scale of their challenge in being expected to deliver ever more sophisticated public services with fewer resources and huge demographic pressures. Against this backdrop, making sure the interests of taxpayers and service users are protected has never been more important.

Background resources

From 2010 to 2015, the Committee held 276 evidence sessions and published 244 reports[9] containing 1,499 recommendations. The Government responded to the Committee's recommendations through the Treasury Minutes[10] accepting 88% of the Committees recommendations throughout that period.

The Government also produced 5 Treasury Minute progress reports[11] on the implementation of Government accepted recommendations for Sessions 2010-12, 2012-13 and 2013-14.

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[9] All publications from the Committee are available on the Parliament website: www.parliament.uk/pac

[10] Annex A lists Treasury Minutes 2010-15.

[11] Annex B lists Treasury Minute progress reports.

Committee of Public Accounts conclusion

The Committee:

- ***followed the taxpayers' pound wherever it was spent;***
- ***strengthened accountability in complex delivery chains;***
- ***increased transparency around how public funds are used;***
- ***championed the rights of whistleblowers;***
- ***started the debate on tax practices;***
- ***supported the development of the right skills in Government to deliver value for money;***
- ***promoted the need for a strong centre of Government;***
- ***promoted the need for better financial management of public funds; and***
- ***secured better and more consistent services for the public.***

1.1 The Government notes the Committee's report and has responded to previous reports.

1.2 The Government remains committed to the principle that accountability for public funds ultimately rests with the Accounting Officer. They will continue to need to be able to demonstrate that the system they are accountable for is operating effectively, secures value for money, and responds to unacceptable performance. The mechanisms for securing these assurances will reflect the Government's policy to strengthen accountability and reduce bureaucracy.

Annex A: List of Treasury Minutes 2010-15

Session 2010-12[12]

Committee Recommendations: 555
Recommendations accepted: 503 (91%)
Recommendations not accepted: 52 (9%)

Publication Date	PAC Reports	Ref Number
December 2010	Government response to PAC reports 1-2	Cm 7987
February 2011	Government response to PAC reports 3-13	Cm 8014
March 2011	Government response to PAC reports 14-18	Cm 8042
May 2011	Government response to PAC reports 19-21 and 23-27	Cm 8069
June 2011	Government response to PAC reports 29-32	Cm 8110
July 2011	Government response to PAC reports 34-37	Cm 8129
September 2011	Government response to PAC reports 22, 33 and 38-41	Cm 8179
October 2011	Government response to PAC reports 28 and 42-45	Cm 8212
December 2011	Government response to PAC reports 46-50	Cm 8244
February 2012	Government response to PAC reports 52-55 and 57-61	Cm 8305
March 2012	Government response to PAC reports 62-67	Cm 8335
April 2012	Government response to PAC reports 68, 70, 72 and 74	Cm 8347
May 2012	Government response to PAC reports 56, 71, 76 and 78	Cm 8352
July 2012	Government response to PAC reports 75, 77, 79-81 and 83-88	Cm 8416
November 2012	Government response to PAC report 82	Cm 8467

[12] PAC Report 51 – IPSA response; PAC Report number 69 not used by the Committee; and PAC Report 73 – BBC response

Session 2012-13[13]

Committee Recommendations: 249
Recommendations accepted: 209 (84%)
Recommendations not accepted: 40 (16%)

Publication Date	PAC Reports	Ref Number
November 2012	Government response to PAC reports 1-4 and 6-10	Cm 8467
January 2013	Government response to PAC reports 5, 11-13 and 15-16	Cm 8534
February 2013	Government response to PAC reports 14, 17-19 and 21	Cm 8556
March 2013	Government response to PAC reports 20, 23 and 25	Cm 8586
May 2013	Government response to PAC reports 24 and 26-35	Cm 8613
June 2013	Government response to PAC reports 36-42 and 43	Cm 8129

Session 2013-14[14]

Committee Recommendations: 359
Recommendations accepted: 319 (89%)
Recommendations not accepted: 40 (11%)

Publication Date	PAC Reports	Ref Number
September 2013	Government response to PAC reports 1, 3-5, 7-12 and 15-16	Cm 8697
November 2013	Government response to PAC reports 2, 6, 13-14, 17-19, 21-22 and 24	Cm 8744
January 2014	Government response to PAC reports 23-26 and 29-30	Cm 8774
February 2014	Government response to PAC reports 27-28, 31-32 and 34	Cm 8819
April 2014[15]	Government response to PAC reports 35-45	Cm 8847
June 2014	Government response to PAC reports 45-51 and 53-55	Cm 8871
July 2014	Government response to PAC reports 56-60	Cm 8900
September 2014	Government response to PAC report 61	Cm 8938

Session 2014-15

Committee Recommendations: 336
Recommendations accepted: 297 (88%)
Recommendations not accepted: 39 (12%)

Publication Date	PAC Reports	Ref Number
September 2014	Government response to PAC reports 1-7	Cm 8938
November 2014	Government response to PAC reports 8 and 10-15	Cm 8958
December 2014	Government response to PAC reports 9, 16-17 and 19-20	Cm 8988
February 2015	Government response to PAC reports 18, 21-24 and 33	Cm 9013
March 2015	Government response to PAC reports 25-29, 31-32, 34, 36, 38 and 40	Cm 9033
March 2015	Government response to PAC report 39	Cm 9051
July 2015	Government response to PAC reports 30, 35, 37 and 41-53	Cm 9091

[13] PAC Report number 43 not used by the Committee
[14] PAC Reports 20, 33 and 52 – BBC responses
[15] Includes revisions to PAC reports 28 and 32

Annex B: List of Treasury Minutes Progress Reports

The Government produces Treasury Minute progress reports on the implementation of Government accepted recommendations on a regular basis. The next update will be December 2015.

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

Fifty Third Report of Session 2014-15

Home Office and Ministry of Justice

Inspection in home affairs and justice

Introduction from the Committee

Inspection plays an important role in providing objective information about performance and people's experience of public services. It can provide independent assurance on the delivery of public services and identify where service performance is at risk of failing or could be improved. In the home affairs and justice sector there are five main inspectorates, together employing around 370 staff, with a combined annual spend of around £35 million: HM Inspectorate of Constabulary and The Independent Chief Inspector of Borders and Immigration (both sponsored by the Home Office); HM Inspectorate of Prisons and HM Inspectorate of Probation (both sponsored by the Ministry of Justice); and HM Crown Prosecution Service Inspectorate (sponsored by the Attorney General's Office). In total, around £20 billion of public money is spent each year on the areas these five inspectorates examine.

On the basis of a report by the NAO, the Committee took evidence, on 23 February 2015, from the Home Office, Ministry of Justice, HM Chief Inspector of Constabulary; HM Chief Inspector of Prisons and the former Independent Chief Inspector of Borders and Immigration on inspection in home affairs and justice. The Committee published its report on 30 March 2015. This is the Government response to the Committee's report.

Background resources

- NAO report: *Inspection: a comparative study* - Session 2014-15 (HC 1030)
- PAC report: *Inspection in home affairs and justice* - Session 2014-15 (HC 975)

1: Committee of Public Accounts conclusion:
There is a risk that the independence of the inspectorates is undermined by the current arrangements for appointing Chief Inspectors and setting their budgets.

Recommendation:
The Cabinet Office should conduct a full review of the appointment, budget allocation and reporting arrangements for Chief Inspectors. It should address specifically whether inspectorates' independence would be best served by independent appointment and sponsorship arrangements, and a measure of direct reporting to Parliament such as annual reports taken by the appropriate Select Committees.

1.1 The Government disagrees with the Committee's recommendation.

1.2 The existing arrangements for public body reviews provides a suitable approach for reviewing arm's length bodies, ensuring that they have strong lines of accountability and that they operate at the appropriate length from government. The Government is in the process of finalising the schedule for reviewing arm's length bodies.

2: Committee of Public Accounts conclusion:
Changes made by the Home Office to the publication arrangements for reports by the Chief Inspector of Borders and Immigration undermine his independence and have delayed publication of his reports.

Recommendation:
The Home Office should bring reporting practice for the Chief Inspector of Borders and Immigration into line with the arrangements for other inspectorates. In the meantime, the Home Office needs to stick to the eight week publication timescale it has agreed for the Chief Inspector's reports.

2.1 The Government disagrees with the Committee's recommendation.

2.2 The legislative requirements for the Independent Chief Inspector of Borders and Immigration were considered and approved by Parliament through the UK Borders Act 2007. There is a requirement under Section 50 of the UK Borders Act 2007 for the Home Secretary to lay copies of the reports before Parliament. The process was changed in January 2014 to ensure compliance with the legislation and legislative changes would be required to achieve the process outlined in the recommendation.

2.3 The department has committed to publishing reports within eight weeks of receipt, excluding recess. During the time that there was no Chief Inspector in post it was not legally possible to publish reports and therefore no reports have been published under the terms of this arrangement. The new Chief Inspector, David Bolt, is now in post, and he has been able to finalise reports and submit them for publication in accordance with the agreed protocol.

3: Committee of Public Accounts conclusion:
The Ministry of Justice mishandled an entirely foreseeable conflict of interest in its appointment of HM Chief Inspector of Probation.

Recommendation:
The Ministry of Justice should write to us setting out what guidance it applied, and how it has changed its procedures in the light of lessons from this situation, in order to be fully transparent in future with Parliament about potential conflicts of interest in cases like these.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2015.

3.2 The Ministry of Justice will write to the Committee on the appointment of HM Chief Inspection of Probation by autumn 2015.

4: Committee of Public Accounts conclusion:
Neither the Home Office nor the Ministry of Justice have adequate mechanisms to hold inspectors to account for their impact.

Recommendation:
The Home Office and the Ministry of Justice should set out how they will measure and hold the inspectorates to account for their performance and impact.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2016.

4.2 The Home Office will continue to hold the inspectorate to account for performance and impact. Strengthened assurance functions have been introduced across the borders and immigration system to track implementation of recommendations and report progress on a quarterly basis to the Home Office board. The Home Office will work with the inspectorate to identify best practice across inspectorates and ensure value for money. It will work with the Independent Chief Inspector to agree how performance and impact of the inspectorate is to be measured.

4.3 The Home Office will continue to hold HM Inspectorate of Constabulary to account for its performance. Mechanisms for this include regular meetings between HM Chief Inspector of Constabulary and the Home Secretary, Permanent Secretary, and other senior officials; the annual governance statement; and scheduled meetings between senior HMIC and Home Office finance managers. In addition, HMIC's new all-force, annual PEEL inspection programme will enable it to monitor year-on-year changes in performance, which will provide some indication of the impact of HMIC recommendations and reports.

4.4 The Ministry of Justice will continue to work with HM Inspectorate of Prisons and HM Inspectorate of Probation to strengthen accountability and improve the measurement of impact and performance. HM Inspectorate of Prisons aims to introduce an Advisory Board with external members in 2015 and publish action plans. The Ministry will discuss similar systems of internal challenge with the new

Chief Inspector of Probation on their appointment (Winter 2015). In the interim, HM Inspectorate of Probation is developing a new methodology of inspection that will enable a clearer identification of impact.

4.5 The Law Officers have adequate mechanisms to hold Inspectors to account. HM Crown Prosecution Service Inspectorate's Chief Inspector reports to the Law Officers at regular business meetings. The Attorney General must approve the HM Crown Prosecution Service Inspectorate Annual Report before it is laid before Parliament.

5: Committee of Public Accounts conclusion:
There is no consistency in the way in which inspectorates review implementation of recommendations and amplify learning from inspection findings.

Recommendation:
Inspectorates, with departments, need to build a more consistent approach to learning from inspection findings, including identifying what works best, and improving how recommendations are implemented and followed-up.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2015.

5.2 The legislative frameworks for HM Inspectorate of Constabulary, Independent Chief Inspector, HM Inspectorate of Prisons, HM Inspectorate of Probation and HM Crown Prosecution Service Inspectorate are all different and require the individual inspectorates to operate and report differently.

5.3 HM Inspectorate of Constabulary is undertaking a significant refresh of its register of recommendations, to remove any duplication or information which is now redundant. Combined with the new, all-force PEEL assessment, this will allow a more systematic approach to follow-up on recommendations.

5.4 A concordat between the Independent Police Complaints Commission, HM Inspectorate of Constabulary and the College of Policing was published in September 2014, and sets out how the three organisations should share lessons learned (for example, the College of Policing should learn from HMIC inspections when considering setting standards). A similar concordat is planned between the four criminal justice inspectorates, which will further improve information flows and sharing between the organisations.

5.5 The Independent Chief Inspector and the sponsorship team will explore the scope for aligning approaches to post inspection activity. Both the Home Office and the inspectorate believe that the post inspection follow up work is beneficial. The Home Office is also committed to ensuring wide dissemination of the inspection findings to the operational areas, to identifying what works best and improving how recommendations are implemented. Home Office Directors General are invited to the Home Office Audit, Risk and Assurance Committee (ARAC) to account for progress in implementing recommendations. The Independent Chief Inspector will also be invited to attend the ARAC on an annual basis.

5.6 The Ministry of Justice working with HM Inspectorate of Prisons and HM Inspectorate of Probation will look to further at the lessons learnt to better track recommendations, with some improvements already in place. In order to demonstrate the impact of independent inspection, HM Inspectorate of Prisons will publish on their website the action plans returned by inspected bodies in response to the recommendations already made. The Ministry will also explore similar models for HM Inspectorate of Probation with the interim Chief Inspector.

5.7 HM Crown Prosecution Service Inspectorate emphasises follow-up inspections in its work programme, with action plans addressing recommendations and regular monitoring on implementation.

5.8 Work is underway to establish a more systematic and consistent approach to learning from joint inspection findings, and improving how joint inspections are followed up. Proposals will be discussed with ministers in October 2015, and will form part of the consultation on the 2016/17 Criminal Justice Joint Inspection Business Plan.

6: Committee of Public Accounts conclusion:
Inspectorates are not yet working together effectively to tackle serious and complex issues of common interest across departments.

Recommendation:
The Criminal Justice Joint Inspectors Group should set out how it will develop its identification of multi-agency issues that require scrutiny, and how it will demonstrate the impact of inspectorates working together more effectively.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2015**.**

6.2 The Chief Inspectors have commissioned the Criminal Justice Joint Inspection Development Group to develop an action plan for taking forward the recommendations of the National Audit Office and the Committee. As part of the process for agreeing the Criminal Justice joint inspection programme, there is a statutory requirement for Chief Inspectors to consult Ministers and partners on the content, which will allow the Group to identify multi-agency issues that require inspection. In addition, the four criminal justice inspectorates are working together to establish a common web portal, accessible to all staff, to promote and allow more efficient and effective working.