HM Treasury

Treasury Minutes

Government responses on the First to the Third reports from the Committee of Public Accounts: Session 2015-16, and progress on Government Cash Management

Cm 9170 December 2015

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1st Report:	Financial sustainability of police forces in England and Wales (Home Office)
2nd Report:	Disposal of public land for new homes (Department for Communities and Local Government)
3rd Report:	Funding for disadvantaged pupils (Department for Education)
	Government Cash Management 2015 (HM Treasury)

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

Cm 9170 December 2015

TREASURY MINUTES DATED 16 DECEMBER 2015 ON THE FIRST TO THE THIRD REPORTS FROM THE COMMITTEE OF PUBLIC ACCOUNTS: SESSION 2015-16; AND PROGRESS ON GOVERNMENT CASH MANAGEMENT.

This publication is available at www.gov.uk/government/publications

Any enquiries regarding this publication should be sent to us at: public.enquiries@hm-treasury.gsi.gov.uk.

Print ISBN 9781474126618
Web ISBN 9781474126625

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

ID 09121502 12/15 52958 19585

Printed on paper containing 75% recycled fibre content minimum

First Report of Session 2015-16

Home Office

Financial sustainability of police forces in England and Wales

There are 43 territorial police forces in England and Wales. A Chief Constable heads each force, with authority over all operational policing decisions and staff. Chief Constables report to an elected Police and Crime Commissioner created to replace Police Authorities. Commissioners, in consultation with their Chief Constable: set out in an annual police and crime plan the objectives for their police force; allocate the funds needed to achieve them; and hold police forces to account on behalf of the public.

Commissioners are funded by central Government via the Department and through the police precept, which is collected alongside council tax in the relevant police force area. Commissioners fund their police force and other crime reduction initiatives. In 2014-15, police forces spent some £12.8 billion. Between 2010-11 and 2015-16, central Government funding to Commissioners reduced by £2.3 billion (25%) from £9 billion to £6.7 billion in real terms.

On the basis of a report by the National Audit Office, the Committee took evidence, on 13 July 2015, from the Home Office, HM Inspectorate of Constabulary and the College of Policing. The Committee published its report on 9 September 2015. This is the Government response to the Committee's report.

Background resources

- NAO report: *Financial sustainability of police forces in England and Wales* – Session 2015-16 (HC 78)
- PAC report: *Financial sustainability of police forces in England and Wales* - Session 2015-16 (HC 288)

1: Committee of Public Accounts conclusion:
The Department's hands-off approach to police forces limits its ability to ensure value for money.

Recommendation:
The Department should set out how it proposes police forces make further significant savings via structural reforms, and assess the legal implications of changes and possible mergers, while having regard to local accountability.

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

1.2 The Government agrees that the Department should set out how it proposes police forces make further savings and will continue to use its convening powers to set out its expectations of the transformation required of policing. However it will not design and impose structural reform. Such decisions are operational matters to be taken by the senior leadership of police forces.

1.3 The Government has already made clear to forces that they should focus on capabilities rather than structures. Any structural redesign must be preceded by a thorough understanding of current capabilities and an assessment of what is required to address emerging crime and security threats. The Government is supporting police forces to do this.

1.4 The Government's view is that structural reform, however large or small, is only one means to deliver further savings and should be seen as part of a wider package of reforms, including improved understanding of demand, increased collaboration between forces and with other partners and better use of technology, which will allow police forces to drive further efficiencies.

1.5 The Government will consider requests for voluntary mergers where these are supported by a robust business case and have community consent

2: Committee of Public Accounts conclusion:
The process by which the Department allocates funding to Commissioners by a formula is ineffective and the results have been subverted by the decision to apply an equal percentage funding reduction to all Commissioners regardless of local conditions.

Recommendation:
The Department should ensure the new funding formula takes proper account of the demand for police services, the scope for savings, local circumstances including precepts, and the levels of reserves. It should introduce the new formula for 2016-17 after consulting with the sector. It must announce any changes to the formula as soon as possible, to allow forces to plan.

2.1 The Government neither accepts nor rejects the Committee's recommendation, as to do so at this stage could prejudice the ongoing process to devise a new funding formula, but the Government does note the Committee's conclusions.

2.2 Ministers have set out their view that the current model for allocating police funding is complex, opaque and out of date, and the Government agrees with the Committee and policing partners that a fairer and more transparent model – that supports forces in their long term planning – should be implemented at the earliest practicable opportunity.

2.3 The Department ran a public consultation on the principles of a new police funding model in summer 2015, with over 1,700 responses received. The consultation set out proposals to introduce a new simplified and transparent model based on three broad elements that, while not themselves drivers of individual criminal activity, correlate highly and strongly with long-term patterns of crime and overall police demand:

- population levels;
- underlying characteristics of a local population; and
- environmental characteristics of police force areas.

2.4 As part of the consultation process, it emerged that there was an error in the data on which the force level impact information shared with Police and Crime Commissioners and Chief Constables was based. This error does not change the principles on which the Government consulted, and the allocations provided to forces were always indicative. However, the Government recognises that this caused concern amongst police forces. The Policing Minister apologised to Parliament and to forces in his statement of 9 November 2015.

2.5 The Department has always been clear that it will only be successful in achieving the aim of building a fit-for-purpose and sustainable model with considerable input from policing partners. As set out publically, Ministers have listened to those partners and concluded that they should delay the proposed changes to the funding formula next year. The Government will seek the views of the Association of Police and Crime Commissioners and the National Police Chiefs' Council to identify next steps.

3: Committee of Public Accounts conclusion:
The impact of cost reductions made by other government departments on the police's workload (cost shunting) is not known.

Recommendation:
The Department must ensure police forces collect data that allows it to identify the impact on forces of funding reductions elsewhere in government, and work closely with other departments to ensure that the impact of their spending decisions are not borne by the police service. HMIC should identify the scope for joint inspections of services in those areas where cuts may impact on the police.

3.1 The Government accepts the Committee's recommendation, but does not accept that it should require forces to collect particular data about the impact on them of funding reductions elsewhere.

Recommendation implemented.

3.2 It is not possible to draw conclusions about causal relationships between budget changes elsewhere and demand on forces. Consequently the Department will not require forces to collect particular information about this. However, to fully understand the interface with other agencies, it is essential that forces improve their understanding and management of demand.

3.3 The Department has worked with the police and other government departments as part of the spending review preparations. For example, working to understand and mitigate the potential impact on crime of budget reductions that would, reduce diversionary activity for young people, or support for ex-offenders. The Department has convened a working group, including police and ambulance service representatives to manage a range of health-related demands and would adopt a similar approach with other agencies when appropriate.

3.4 Estimates suggest that up to 20% of incidents reported to the police involve people with mental health issues. Initiatives such as the 'street triage' schemes, supported by the Home Office, pilot funded by the Department of Health and led by the Police, have reduced such demand through closer collaboration with mental health professionals and health partners.

3.5 HMIC has already conducted joint inspections where cuts to other services may have had an adverse impact on the police, for example, the thematic inspection on the welfare of vulnerable people in police custody, published in March 2015. The criminal justice joint inspection (CJJI) programme for 2015-16, includes inspections on the digitisation of criminal justice system processes, human trafficking and modern slavery.

3.6 Statutory consultation on the CJJI programme for 2016 - 2018 will take place in early 2016. HM Chief Inspector of Constabulary, who chairs the Criminal Justice Chief Inspectors' Group, will ensure that the scope for joint inspections of services, in those areas where cuts may have an effect on the police, are a consideration in shaping both the consultation and the future joint inspection programme.

4: Committee of Public Accounts conclusion:
It is not clear who is responsible for ensuring that there are adequate business skills to manage police forces effectively and for spreading best practice in this area.

Recommendation:
The Department and College need to ensure police officers have the requisite business skills to manage police forces effectively and form a joint view on the role and remit of the College in these areas as a matter of urgency.

4.1 The Government accepts the Committee's recommendation.

Target implementation date: April 2016**.**

4.2 The College recognises that it has a role to play in developing police business skills, including assisting its members and forces in preparing for budget reductions during the next Spending Review period. The College is clear that its remit includes setting the standards for business skills through the Strategic Command Course.

4.3 The College has already committed to improving business and management skills for its members. In 2014, the College introduced a business module run by the Cass business school covering business skills, strategic finance and HR, organisational development as a pass / fail element of the Strategic Command Course. Successful completion is a prerequisite for a chief officer role. There will also be a range of other development programmes at other levels including organisational and business skills.

4.4 There are other, more specialised, business skills training organisations and facilities that could play a role in enabling chief officers to manage their forces more effectively. The College and Home Office will work together to confirm what training the College will offer and how other agencies might be used. This will be confirmed before the next financial year.

5: Committee of Public Accounts conclusion:
Most police forces lack sufficient information on the current and future demands they face, which is essential for the Department and the police to ensure forces have the right skills and resources to meet that demand.

Recommendation:
The Department, working closely with the College of Policing, should ensure that there is a common standard for measuring demand and that this is used to provide comparable, accessible data on all forces. This needs to be addressed as a matter of urgency.

5.1 The Government accepts the Committee's recommendation.

Target implementation date: November 2016.

5.2 The College of Policing has developed a Demand Toolkit to identify data collection and demand measurement methodologies. The toolkit will also form a basis on which to build a demand management information system for forces. The toolkit provides methods or approaches to support policing to fill gaps in knowledge about demand and the resources required. It aims to help generate consistent estimates of the scale of crimes or incidents not measurable using established categories. The toolkit will be able to generate national estimates which can then be registered with the College and shared more widely with Forces through the Police On-Line Knowledge Area. Registering estimates and sharing the approach will allow consistency and support national discussions and decision-making.

5.3 HMIC is working with forces and Police and Crime Commissioners to develop Force Management Statements. These statements, to be piloted in 2016, are intended to ensure that information on a force's available resources and the demand they face is produced to an agreed standard and accessible to chief constables, PCCs and the public.

6: Committee of Public Accounts conclusion:
The need to make further savings may encourage forces to make greater use of outsourcing, but even given the devolved accountability system for policing, current oversight for these types of arrangements is inadequate.

Recommendation:
The Department should ensure any outsourcing arrangements undertaken by Commissioners or forces are subject to effective scrutiny. It should also develop a clearer mechanism for assessing the long-term value for money of outsourcing; and encourage arrangements that allow forces to retain the ability to respond to evolving needs.

6.1 The Government accepts the Committee's recommendation.

Target implementation date: Spring 2017.

6.2 Outsourcing decisions are a matter for Police and Crime Commissioners (PCCs) and Chief Constables, or the Mayor's Office for Policing and Crime and the Commissioner in the case of the Metropolitan Police and the Corporation and the Commissioner in the case of the City of London Police. They are best placed to ensure that local arrangements provide flexibility to respond to changing needs.

6.3 Local outsourcing decisions are made within a strong system of accountability described in the *Accountability System Statement for Policing and Crime Reduction*[1]. Key elements are Chief Constables' statutory value for money duty and PCCs' duty to hold them to account for complying with it. Locally, Police and Crime Panels provide a statutory oversight and scrutiny function in respect of PCCs. Police forces are subject to inspection by HM Inspectorate of Constabulary (HMIC).

6.4 To ensure that HMIC remains able to fulfil its primary statutory function of reporting on the efficiency and effectiveness of every police force, the Department has previously consulted on extending the Inspectorate's powers to enable it to inspect private contractors who are engaged to support the police force and are therefore delivering policing functions. Legislation to so extend HMIC's powers will be introduced later in this Parliamentary session.

[1] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/410711/March_2015_Accountability_System_Statement_for_Policing_and_CrimeFINAL.pdf

Second Report of Session 2015-16

Department for Communities and Local Government

Disposal of public land for new homes

Introduction from the Committee

In June 2011, the Housing Minister announced that government planned to *"release enough public land to build as many as 100,000 new, much-needed, homes and support as many as 25,000 jobs by 2015".* The Department for Communities and Local Government holds policy responsibility for the target as a whole, with individual government departments responsible for identifying surplus land, estimating the number of potential dwellings, and disposing of the land.

The Homes and Communities Agency was responsible for collating and reporting data to monitoring boards, and also acted as the property disposal agent for the Department itself. The Department's data shows that, by the end of March 2015, government had disposed of land with capacity for an estimated 109,950 homes, across 942 sites. The biggest contributors were the Ministry of Defence (around 39,000 homes), the Homes and Communities Agency (around 21,000, on behalf of the Department for Communities and Local Government) and the Department of Health (around 15,000).

On the basis of a report by the National Audit Office, the Committee took evidence on 15 July 2015 from the Department for Communities and Local Government, and the Homes and Communities Agency. The Committee published its report on 24 September 2015. This is the Government response to the Committee's report.

Background resources

- NAO report: *Disposal of public land for new homes* – Session 2015-16 (HC 87)
- PAC report: *Disposal of public land for new homes* – Session 2015-16 (HC 289)

1: Committee of Public Accounts conclusion
The Department cannot assess whether the programme delivered value for money for the taxpayer.

Recommendation:
In taking forward the new target, the Department and the Homes and Communities Agency must apply a broader test of value for money, which must include sale proceeds and progress in the actual construction of new homes. Taxpayers deserve to know how many homes have actually been built.

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

1.2 The key policy objective of the Public Sector Land for Housing Programme is to dispose of surplus land with capacity for 160,000 homes by 2020. The Department will set out further details of the programme in Spring 2016, including details of how progress will be monitored.

1.3 The Department agrees that land disposal should represent value for money for the tax payer, taking into account a wide range of factors. However, the Department disagrees that a new framework or test is needed to achieve this. It is already the clear responsibility of departmental accounting officers to ensure that value for money is achieved in the disposal of each piece of land, taking account of the expected number of homes to be built, and the receipts achieved. *Managing Public Money* gives a clear framework in which accounting officers must make these decisions.

1.4 The Department has overall responsibility for ensuring delivery across government of the Public Sector Land for Housing programme. This includes gathering full evidence to provide assurance that the programme outcomes are achieved, including that land is being used for housing. This Programme is part of the government's wider house-building strategy, for which starts and completions are regularly monitored.

1.5 Cabinet Office and the Department have implemented, since April 2015, quarterly monitoring arrangements to record receipts from land and property asset sales across the whole government estate.

2: Committee of Public Accounts conclusion:
The Committee is sceptical as to whether departments achieved value for money from the sale of all individual sites.

Recommendation:
The Committee will hold the Department to account for the value for money of the new programme. It should, therefore, set out how it will gain assurance that all land-owning departments and public bodies have achieved value for money from all disposals.

2.1 The Government accepts the Committee's recommendation

Target implementation date: Spring 2016**.**

2.2 The Department sets the objectives for the Programme and will publish the new programme outline in Spring 2016.

2.3 Accounting officers of land owning departments and public bodies are responsible for the value for money of their decisions on each land disposal. Chapter 3 of *Managing Public Money* is clear that value for money should be considered for the Exchequer as a whole, rather than the highest sales receipt.

2.4 The new Public Sector Land Programme will set out guidance on the records that should be kept by departments as evidence to show that value for money has been achieved. As part of the validation process departments will be required to confirm that they have complied with the relevant guidance, in particular that the site has been subject to independent valuation in accordance with the *RICS Red Book*. This gives the Department assurance that all disposals of land will achieve value for money.

2.5 The Cabinet Office (Government Property Unit) is currently reviewing and updating the *Guide for the Disposal of Surplus Property* for publication by Spring 2016.

3: Committee of Public Accounts conclusion:
The Department adopted a very wide interpretation of what it could count towards achieving its target.

Recommendation:
In taking forward its new target to release land for up to 150,000 homes between 2015 and 2020, the Department must only count the number of homes built, or commenced, on land disposed of during the programme. This should also include the number of affordable homes.

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

Target implementation date: Spring 2016.

3.2 The key objective of the new programme is to dispose of surplus land with capacity for at least 160,000 homes by 2020. The types of land disposal that will be within the scope of the new programme will be set out when the Department publishes the new programme.

4: Committee of Public Accounts conclusion:
The Department was unable to confirm how many jobs the programme had created.

Recommendation:
The Department must set out clearer parameters for job creation and collect and audit data to ensure that claimed new jobs are in fact created.

4.1 The Government accepts the Committee's recommendation.

Target implementation date: Spring 2016.

4.2 Where programmes have explicit requirements to record job creation clear parameters will be set at the outset and data will be collected and reviewed. Job creation is not however an explicit objective of the new programme.

5: Committee of Public Accounts conclusion:
The Department and the Homes and Communities Agency have not provided effective oversight of the programme.

Recommendation:
The Department must be clear with individual departments as to the guidance they are expected to follow, and must set clear documentary and data requirements.

5.1 The Government accepts the Committee's recommendation.

Target implementation date: Spring 2016.

5.2 The Department will publish the new Public Sector Land Programme in Spring 2016. This will set out the monitoring and assurance requirements on all bodies in scope of the programme. It will specify what records should be kept by departments, and will include a new requirement to confirm at the point of disposal, through the quarterly monitoring process, that there is a full record of key facts associated with the sale, retained by each government department. The Department will adapt the key facts template used in the NAO report case studies for this purpose.

6: Committee of Public Accounts conclusion:
There were significant omissions in the Department's data collection.

Recommendation:
In addition to setting minimum documentary and data requirements for all landowning departments, the Department must design and implement a data validation process. The Department should also review how it can increase transparency of agreed commercial terms for land disposals to provide greater assurance to the taxpayer that value for money has been achieved.

6.1 The Government accepts the Committee's recommendation.

Target implementation date: Spring 2016.

6.2 The Department plans to increase the amount of data that is collected from government departments. The Department will also provide full guidance to departments and ALBs on the validation and challenge process, which will include providing additional evidence.

6.3 The Cabinet Office (Government Property Unit) will lead work across government to review how it can increase transparency of agreed commercial terms for land disposals, with a view to maximising transparency, except where there are strong reasons for commercial confidentiality. The report will be published in Spring 2016.

7: Committee of Public Accounts conclusion:
It is essential that the Department learn lessons for its new programme and deliver value for money from future land disposals.

Recommendation:
Alongside its usual Treasury Minute response, the Department should provide us with a fuller report on its progress with setting up the new programme, including objectives, how it will measure success and monitor progress, and how it has addressed the recommendations in the NAO report.

7.1 The Government notes the Committee's recommendation.

7.2 The Department will write to the Committee separately on further progress when we publish the key aims, objectives, scope, data and monitoring arrangements for the programme in Spring 2016.

Third Report of Session 2015-16

Department for Education

Funding for disadvantaged pupils

Introduction from the Committee

Around 2 million (29%) of the 7 million children aged between 4 and 16 in publicly-funded schools in England, come from disadvantaged backgrounds. Such pupils tend to perform poorly in public examinations relative to other pupils. As poor academic performance is associated with lower wages and higher unemployment in adulthood, this ‘attainment gap’ for disadvantaged pupils is a key way in which poverty is transmitted from one generation to the next. In 2011, the Department for Education announced new funding for schools: the pupil premium, which specifically aims to improve outcomes for disadvantaged children. Between 2011-12 and the end of 2014-15, the Department had distributed some £6.0 billion of pupil premium funding to schools. Since the introduction of the pupil premium, the attainment gap has closed overall by 4.7 percentage points in primary schools and by 1.6 percentage points in secondary schools. Besides pupil premium funding, the Department requires local authorities to use deprivation as a factor when allocating core funding to schools.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence on 21 July 2015 from the Department for Education, the Education Endowment Foundation (EEF) and from two head teachers, one from the Charter Academy, Portsmouth, and the other from the Berwick Academy, Berwick-upon-Tweed. The Committee published its report on 9 October 2015. This is the Government response to the Committee’s report.

Background resources

- NAO report: *Funding for disadvantaged pupils* – Session 2015-16 (HC 90)
- PAC report: *Funding for disadvantaged pupils* – Session 2015-16 (HC 327)

1: Committee of Public Accounts conclusion
The Department has demonstrated the potential of the pupil premium, but it has not yet set out how it will judge success.

Recommendation 1a:
In line with its original objective to obtain significant impact in primary schools by 2015 and in secondary schools by 2020, the Department should urgently define what “significant” means, setting out its timetable for action as soon as possible.

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

1.2 The Department does not set national targets in education. Instead, it intends to benchmark the state-funded school system in England against the highest-performing educational jurisdictions in the world, to set the challenge of being as good as the best in the world – in terms of both overall standards and the size of the attainment gap between disadvantaged and non-disadvantaged pupils. The Department will be looking closely at the results of the 2015 Trends in International Mathematics and Science Study (TIMSS) and the Programme for International Student Assessment (PISA) study, which will be published by December 2016.

1.3 The Department will continue to monitor and report on the attainment of disadvantaged pupils nationally in standard assessments at the end of key stages 2 and 4, and promote effective evidence-based practice on improving disadvantaged pupils’ academic progress and attainment. 2015 key stage 2 results for disadvantaged pupils will be published on 10 December 2015 and key stage 4 results will be published in January 2016.

Recommendation 1b:
It should also set out how it will track and report on the post-school destinations of pupils.

1.4 The Government accepts the Committee’s recommendation.

Recommendation implemented.

1.5 Destination measures for key stages 4 and 5 were published on 20 October 2015. These show the percentages of young people continuing their education in school, sixth-form college, further education college or higher education institution, including through an apprenticeship; those who went into employment or training; and those not in education, employment or training (NEET). The data are also broken down by student characteristics, with key stage 4 data showing destinations of disadvantaged pupils who would have attracted the pupil premium during the 2012-13 academic year. The most recent key stage 5 data only shows the destinations of pupils eligible for free school meals, as the pupil premium was introduced after this cohort left compulsory education.

1.6 The Department will establish key stage 4 and key stage 5 destination measures as a headline performance measure from 2016. Key stage 4 education destinations are already published on the performance tables website.

1.7 The Department is now working to link its datasets with those of the Department for Business, Innovations and Skills, Department for Work and Pensions, and HM Revenue and Customs. This will generate detailed information about future careers and earnings prospects from studying specific courses and taking particular combinations of qualifications.

2: Committee of Public Accounts conclusion

While the evidence base for what works is growing, the Department does not do enough to make sure this good practice is adopted in weaker schools.

Recommendation 2a:

As the evidence base grows, the Department should develop the necessary mechanisms to make sure schools use effective interventions with disadvantaged pupils. In addition, the Department should make pupil premium Reviews mandatory for those schools identified as using the pupil premium ineffectively. It should consider how best to encourage weaker schools to participate and set out its action plan and timetable to achieve this.

2.1 The Government accepts the Committee's recommendation.

Target implementation date: Summer 2016**.**

2.2 The effectiveness of an educational intervention will vary according to school context, the needs of individual children and the precise way in which it is applied.

2.3 Ensuring schools have access to the latest evidence on what works and robust data on the performance of their disadvantaged pupils will drive effective use of the pupil premium in the majority of schools; and through the EEF, the Department has invested in a toolkit of cost effective interventions. The Department is considering whether improvements can be made to existing mechanisms to ensure schools use more effective evidence-based interventions, working in close collaboration with the EEF. If any changes are made, plans will be set out in good time for the academic year 2016-17.

2.4 The Ofsted inspection handbook already states that when Ofsted recommends that a school commissions a pupil premium review, this is followed up in the subsequent monitoring inspection. In addition, the existing Schools Causing Concern statutory guidance makes clear that where maintained schools fail to respond robustly or rapidly to such a recommendation, local authorities may consider that this may be an indication that performance is unacceptably low and should in those cases issue a warning notice. For academies, Regional School Commissioners will follow-up pupil premium reviews when in discussion with the academy regarding broader under-performance concerns. Local authorities and Regional Schools Commissioners are also able to suggest an external review of the pupil premium themselves where they have concerns.

2.5 As part of reforms to tackle failing, underperforming and coasting schools, new and strengthened powers are set out in the Education and Adoption Bill. Subject to the will of Parliament, it is planned that these powers will take effect from the summer term 2016. The Department is revising the Schools Causing Concern guidance, and consulting on this. It will be finalised in good time to take effect to the same timescale.

Recommendation 2b:
The Department should ensure that schools share best practice on how to use the pupil premium effectively.

2.6 The Government accepts the Committee's recommendation.

Recommendation implemented.

2.7 The Department is committed to improving use of the pupil premium by schools, in the context of a self-improving school-led system in which practice is informed by robust evidence. It continues to support the EEF in order to improve the availability of high-quality evidence on what works to raise the attainment of disadvantaged pupils; and to identify how best to help school leaders and teachers engage with research evidence so that their provision for disadvantaged pupils is evidence-based.

2.8 Through the pupil premium awards, the Department has identified schools across all regions which are making effective use of the pupil premium and can act as beacons of good practice within their locality. The winners of national awards are also required to work with schools where the progress and attainment of disadvantaged pupils is particularly low. Pupil premium reviews also facilitate the spread of good practice amongst schools through peer-to-peer support. There are now 654 accredited pupil premium reviewers across the country, each of whom has a proven track record in raising the attainment of disadvantaged pupils and can be commissioned by schools to undertake a review of their pupil premium strategy.

2.9 The Department has also published research by NFER that sets out common practices amongst those schools which are more successful in promoting the high attainment of disadvantaged pupils, and identifies seven building blocks of success.

3: Committee of Public Accounts conclusion

The Department and the Education Endowment Foundation do not understand enough about the reasons why disadvantaged pupils from some backgrounds do markedly better at school than others.

Recommendation:
The Education Endowment Foundation should carry out and then disseminate research into the reasons why disadvantaged pupils from certain communities do better at school than others.

3.1 The Government accepts the Committee's recommendation.

Target implementation date: April 2016.

3.2 The EEF recently commissioned research into the relative performance of disadvantaged students from different communities. There is huge variety in the attainment of children with English as an additional language (EAL). The EEF, in partnership with Unbound Philanthropy and the Bell Foundation is using findings from this research to identify and evaluate programmes and practices which aim to improve the attainment of all learners, including those with English as a first language.

3.3 In 2016, the EEF will launch its second regional campaign aimed at supporting children in specific communities and narrowing the attainment gap. This five-year literacy campaign in the North East, to be delivered in partnership with Northern Rock Foundation, will aim to increase wider engagement and help families and communities support their children to learn.

3.4 The EEF is committed to raising the attainment of disadvantaged pupils from all communities. To support this it has developed the "families of schools" tool to allow secondary schools to compare their performance with that of similar schools and learn from those that deliver the best outcomes for their disadvantaged pupils. This tool groups schools together based on factors including prior attainment, percentage of pupils eligible for free school meals and the number of children with EAL. The tool will be updated to include primary schools in February 2016.

3.5 The sister organisation of the EEF, the Sutton Trust, has commissioned several studies on why disadvantaged pupils from certain communities do better at school than others. This year, the Sutton Trust is conducting longitudinal studies with the University of Oxford investigating the progress and development of children from particularly disadvantaged backgrounds from pre-school to post-compulsory education. These are expected to complete by December 2016.

4: Committee of Public Accounts conclusion
Parental engagement is important if a child is to do well at school but some schools are struggling to challenge disengaged parents effectively.

Recommendation 4a:
The Department should clarify the circumstances in which it expects schools to challenge parental disengagement.

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

4.2 The Government's priority is to deliver a school-led system in which schools and system leaders make decisions about how best to engage their local communities. Ofsted inspections of schools take account of the effectiveness of arrangements for engaging with parents. The common inspection framework states that inspectors, in judging the effectiveness of teaching, learning and assessment, will evaluate the extent to which the school's engagement with parents and carers helps them to understand how children are doing in relation to the standards expected and what they need to do to improve.

Recommendation 4b:
The Department, in collaboration with the Education Endowment Foundation, should improve guidance about what schools should do. It should also set out what work could be done to join up other public and third sector groups to ensure that parental support, or lack of it, is addressed across the board.

4.3 The Government accepts the Committee's recommendation.

Target implementation date: December 2016.

4.4 The EEF and Sutton Trust Teaching and Learning Toolkit provides clear and accessible advice on the ways in which actively engaging parents in supporting their children's learning can help children do better at school. The EEF is also continuing to improve existing evidence on this topic, and is funding several projects aimed specifically at raising attainment by improving parental engagement. These include three projects due to report in summer 2016.

4.5 *Texting Parents* uses text messages to parents to 'nudge' parents to engage in their child's learning; *Supporting Parents on Kids' Education* (SPOKES) aims to give parents the skills they need to help their children learn to read by demonstrating simple teaching strategies to use when reading with their child; and *The Parenting Academy* aims to equip parents with the skills to support their children's learning in numeracy, literacy and science. The EEF, with support from the Department, will disseminate robust findings on the impact of parental engagement to schools and education leaders – for example, via the Toolkit which will be updated by December 2016 to reflect the findings of these trials.

4.6 The Department will consider what opportunities might exist for partnership work with other public and third sector groups in light of evidence from EEF-funded studies, as and when this emerges.

5: Committee of Public Accounts conclusion
The Department has not yet resolved the potentially destabilising impact that Universal Credit may have on its ability to identify disadvantaged pupils.

Recommendation 5a:

The Department should write to the Committee, within 6 months, to update us on its plans to mitigate the risk that Universal Credit will make it harder to identify all genuinely disadvantaged pupils.

5.1 The Government accepts the Committee's recommendation.

Target implementation date: February 2016.

5.2 The Department has already undertaken extensive analysis on future free school meal eligibility as part of the planning for Universal Credit introduction. It will consult on the new arrangements for eligibility prior to their introduction, and will write to the Committee updating them on the plans early next year. The Department's priority is to make sure that the most disadvantaged children are provided with free school meals and other educational benefits. While this work is ongoing, any child whose parent or guardian is getting universal credit is entitled to free school meals, the pupil premium and other educational benefits.

Recommendation 5b:

In addition, the Department should ensure local authorities encourage all eligible parents to register for free school meals. The Department should also be clear about how it intends to incentivise local authorities to do this well.

5.3 The Government accepts the Committee's recommendation.

Recommendation implemented.

5.4 The Department encourages local authorities and schools to do all they can to ensure that pupils who are entitled to benefits-based free school meals register for them and take them up. If a child is in receipt of universal infant free school meals (UIFSM) there is still an expectation that entitled parents should make a claim to ensure that schools receive the full amount of pupil premium funding. Schools and local authorities have developed and encouraged good practice in this area. It is possible to identify these pupils, for example through enrolment processes. The Department has produced a best practice guide which is available in the UIFSM toolkit.[2]

5.5 The Department wants to make it as simple as possible for schools and local authorities to check eligibility for free school meals so that children who are eligible for them are identified. It has established the Eligibility Checking Service to help schools and local authorities identify eligible pupils rapidly online, and is actively exploring options for making the process of registering pupils for free school meals more efficient.

6: Committee of Public Accounts conclusion

It will be important to monitor the impact of spending on the recently introduced Early Years pupil premium.

Recommendation:

The Department should review the level and effectiveness of the Early Years pupil premium after its first year of operation.

6.1 The Government accepts the Committee's recommendation.

Target implementation date: December 2016.

6.2 The Department is currently undertaking a scoping study to explore the feasibility of using the Study of Early Education and Development (SEED) to examine the effect of Early Years pupil premium (EYPP) funding on the quality of provision in childcare and early years settings. If it is deemed feasible to undertake such a study using the SEED sample we would expect a final report to be published in autumn 2016. In the event that an impact study is not feasible the Department will consider an alternative approach.

6.3 The Department will also be undertaking a survey to explore how providers use their early entitlement funding, including the EYPP, to address disadvantage and deprivation within their settings. The expected publication date is winter 2016. This study will also explore providers' views on the efficacy of EYPP, and while it will not directly collect data on children's outcomes it will provide quantitative evidence of EYPP effectiveness based on the professional opinions of setting managers.

7: Committee of Public Accounts conclusion

There continues to be wide variation in the funding given to schools, even those dealing with similar levels of disadvantage.

Recommendation:

The Department should set out a clear timetable for completing its review of the schools funding formula and should make sure this review leads to a more structured and evidence-based approach to setting overall funding for schools with similar levels of disadvantage.

[2] http://www.schoolfoodplan.com/universal-free-school-meals/

7.1 The Government accepts the Committee's recommendation.

Target implementation date: September 2017.

7.2 The Government will introduce the first ever national funding formula for schools, high needs and early years so that funding is transparently and fairly linked to children's needs. This will end the unfair system where a child from a disadvantaged background in one school attracts half as much funding as a child in identical circumstances in another school, simply because of where they live. This reform will give schools more certainty over future budgets, empowering head teachers to take decisions for the long term. The government will launch a detailed consultation in 2016 and implement the new formulae from the 2017-18 academic year. There will be a transitional period to help smooth the implementation of the new formula.

Government Cash Management
Update
December 2015

1. This is the fifth annual progress report on the Treasury's joint objective, with Government Departments, to minimise Government cash balances held outside the Exchequer. It explains what has been achieved so far and updates on progress made on the relevant recommendations set out in the Committee of Public Account's (PAC) 33rd Report. It sets out the challenges ahead and provides details of the accuracy of Departmental cash forecasting in the financial year 2014-15.

2. Departments have continued to minimise balances held outside the Exchequer by closing bank accounts with commercial providers and switching to using the Government Banking Service (GBS) instead.

3. The total value held by Departments in commercial banks has decreased, to £6.90 billion in September 2015 from the reported £8.08 billion in September 2014. This is due to the progress being made in some of those areas which hold high balances outside the Exchequer for policy reasons. Commercial balances held in September 2015 remain in line with the previous year when these five key areas are excluded: £1.96 billion compared to £1.92 billion in September 2014. Further detail can be seen in Annex B.

4. On 30 September 2015, there were 1,871 commercial accounts on the Treasury's register. This is an increase from last year's reported 1,597. The main reason for the increase is the MOD have reported 290 UK and foreign stand-alone accounts for Defence Attachés, local banking abroad, and collaborative defence programmes which have been included for the first time. Of the total 1,871 commercial accounts, 451 are overseas banking accounts held for operational reasons by FCO, MOD and DFID.

5. Balances totalling £1.96 billion are held in these commercial accounts outside the Exchequer. Of this £1.96 billion, £308.56 million is provided by the Exchequer. Of the £308.56 million, £131.63 million is held by London Continental Railways Ltd (LCR), a wholly owned public corporation of the Department for Transport. LCR are investigating whether any funds can be moved to the Government Banking Service.

6. Annex B contains a detailed summary of the accounts accepted and their balances on 30 September 2015 compared to 30 September 2014. The sterling equivalent of foreign currency is included in the total balances.

7. The Treasury has continued to work proactively with Government Departments and the Government Banking Service to reach our collective goal. For example we have:

- Updated the register of commercial accounts held by Government Departments and their public bodies, and worked with Departments to establish whether it is possible to open a GBS account and, if not, to authorise a commercial account;
- Monitored quarterly information on commercial balances and continued to push for limits on all commercial accounts;

8. Updates on the five major policy areas where high balances are held outside the Exchequer for the following policy reasons:

8.1 Department of Health (DH) - £98 million

NHS Providers (Trusts and Foundation Trusts) currently sit outside of both the DH's Cash-flow Management Scheme and Net Cash Requirement boundaries, and DH's powers of influence over this sector are limited.

However, NHS trusts are required, under legal direction issued jointly by DH and HMT, to ensure that average cleared balances held outside of the Exchequer pyramid do not exceed £50k. They are free to hold cash or invest in Exchequer products.
In the Foundation Trust sector, DH are not prescriptive on banking issues and do not have the legal powers to direct them on such matters. Foundation Trusts are autonomous organisations whose freedom is underpinned by legislation and can decide locally how to deliver best value from their income and this may include the use of commercial accounts. Foundation Trusts must meet liquidity and working capital

targets set by Monitor as a prudent way of managing risk and ensuring continuity of vital services. In meeting these requirements many Foundation Trusts need to hold working capital lines with commercial banks linked to accounts held with that bank.

We will continue to work on this at an official level with DH to ensure that we balance the need for effective cash management and the need for independence and local decision making to deliver best value from these bodies.

8.2 Department for Education (DFE) – £2,816 million

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

Academies, as part of the DFE group, all hold commercial bank accounts outside the GBS system. Cash balances are not entirely generated from Exchequer funds. Although the Exchequer provides a vast majority of academy funding, academy trusts also receive other income streams from third parties (for example: endowments) which contribute to the cash balances. Based on the 2015-16 budget forecasts data, DFE expect that academy trusts will generate approximately 12% of their income from non-DFE sources.

The Education Funding Agency (EFA) carried out a thematic review of academy cash balances in 2015 which reported on the amount of cash held by trusts and the movement in cash. The review indicated that academies were holding cash to fund capital or other projects for which they had to save funds over a period of time, as academies cannot borrow and must monitor their cash flow to ensure they have sufficient funds for day to day and future payments so that they do not go overdrawn. DFE, the Treasury and Education Funding Agency are considering options to reduce commercial balances held by Academies. Discussions between DFE and its new banking partner, RBS, have already been instigated by the Government Banking Service and are ongoing.

8.3 HMT UK Asset Resolutions (UKAR) - £1,049 million

Excellent progress has been made on reducing UKAR's commercial balances. The Sterling balances held in commercial banks have reduced from £2.3 billion in 2014 to £0.6 billion in 2015. UKAR and FSCS hold a further £2.4 billion (UKAR £1.3 billion, FSCS £1.1 billion) at the Bank of England but outside the Exchequer. These balances are levy-funded and consolidated into the Treasury Group of Accounts. As these balances are held in the Bank of England, they are not included with the September 2015 balances held in Commercial accounts.

8.4 Nuclear Liabilities Fund - £225 million

The trust has been classified to the public sector by the Office for National Statistics for national accounts purposes. The Government guarantees the down side risk of the Fund not meeting its liabilities and the Government therefore believes taxpayers should have access to any upside benefit. The Nuclear Liabilities Fund currently has around £7.5 billion invested within the National Loans Fund out of its total assets of around £8.9 billion. Of the remaining £1 billion outside the Exchequer, about £225 million is retained in liquid assets. The Treasury has asked the Fund to agree a plan to bring the additional funds within the Exchequer. This will minimise the cost of borrowing.

8.5 Network Rail - £756 million

Network Rail was reclassified to the public sector from 1 September 2014. DFT continues to raise the use of commercial accounts with Network Rail, and will continue to keep this under review.

Challenges Ahead

9. The Treasury, working with other Government Departments, will continue to look at ways of further reducing commercial balances. The GBS money transmission contract expires in March 2016 and new contracts have been awarded in an improved (and more cost effective) operating model to Barclays and RBS. Citi retain the bulk foreign exchange contract which plays to their global expertise. The procurement exercise has been a strong example of cross government engagement deriving value for money and improved service. Migration to the new arrangements is underway and is expected to be substantively complete ahead of the new financial year.

10. In certain cases, Government Departments and their public bodies need to use commercial accounts. We allow these accounts to be retained if:

- Cash held belongs to third parties and needs to attract commercial rates of interest, and/or there are legal or statutory reasons why cash cannot be held in the Exchequer. Even where this proves to be the case, the contracts negotiated allow for the fine tariffs achieved to be more broadly available to Government Departments and the Crown Commercial Representative for Banking in Cabinet Office will continue to encourage that this is exploited.
- Moving away from a current commercial banking contract would not represent value for money for the Exchequer as a whole. In certain circumstances the interest which the Exchequer saves from the use of relatively small balances may be less than the costs associated with the change;
- They relate to accounts held with banks abroad, which are currently outside the remit of Government banking. The Crown Commercial Representative for Banking, who is also currently the director of the GBS team, is working with relevant Government Departments to identify how foreign banking, and indeed international cash management, might benefit from the lessons learned in dealing with sterling in terms of managing operational, counterparty and foreign exchange risk.

PAC Conclusions Update

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

12. Also attached in Annex C is the cashflow league table for 2014-15. This shows the accuracy of cash forecasting by Departments as an average monthly percentage variance on forecast. Overall Departmental forecasting accuracy continues to improve.

13. The Treasury agrees with the National Audit Office's conclusion that the main strength of the Treasury's Cash Flow Management Scheme is that it uses a combination of incentives in the form of notional charges and rebates and league tables. The Treasury keeps the rules of the scheme under constant review to ensure that it meets the desired objective. We are also considering further suggestions from Departments and other stakeholders to modify the scheme. For example: we have provided Departments with a guide for the Cashflow Management Scheme.

14. At the end of each year, the net charge or rebate incurred through the Cashflow Management scheme is applied to each Department's control total at the time of the Supplementary Estimate. So there is a real cost to Departments for poor forecasting, reflecting that there is a real cost to the exchequer.

15. The Treasury has also reminded Departments that the status of their Departmental Supply Estimate account and / or the agreed group of accounts held at the GBS should never be overdrawn. Departments are aware that a penalty charge of base rate plus two per cent may be applied on overdrawn balances. In 2014-15 there were 26 instances of Departments' Supply Estimate accounts going overdrawn and 6 instances of Departments' groups of accounts going overdrawn. Officials are working closely with the Government Banking Service to ensure that all Departments' Supply Estimate accounts are set up on the new banking platform in a way which minimises the risk of going overdrawn.

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

Government Cash Management

Annex A

September 2015 update on Committee of Public Accounts conclusions

All departmental responses are available. We have selected some informative responses to provide an overview.

1: Committee of Public Accounts conclusion
Departments and their sponsored bodies should have their main account with the Government Banking Service, so that unspent money is kept at the Exchequer.

Recommendation:
This is one of the most important elements of good cash management in Government, as it not only reduces Government borrowing but minimises risks and allows the Government to plan and manage its cash flow more cost-effectively. Organisations should only have commercial bank accounts where they have agreed with the Treasury that the Government Banking Service cannot satisfy a particular business need.

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

- **DWP** has reduced the total balance held in Commercial Accounts by £184 million in the 12 months between September 2014 and September 2015. This has been achieved through regular engagement with its Commercial Account holders and the closure of accounts for both Remploy and the Independent Living Fund. DWP engagement has led to a greater understanding and appreciation of targets to be met by DWP and ALBs. This understanding means that DWP can negotiate to release funds when required keeping more funds within the GBS structure for longer.

- **DEFRA** confirmed that the Department and its Executive Agencies hold their main bank accounts within the Government Banking Service (GBS). The majority of its Non Departmental Public Bodies (NDPBs) also hold their main bank accounts within the GBS where possible. DEFRA continue to monitor the use of commercial bank accounts closely and has closed 81 commercial bank accounts since this review started. It reviews all commercial bank accounts on a monthly basis and provides quarterly information to the HMT Exchequer Funds and Accounts (EFA) team as requested. The total number and value of commercial accounts remains low, however DEFRA will continue to fully evaluate and challenge the rationale for their existence, liaising with our HM Treasury Spending team and the HMT EFA team as necessary.

- **MOD** are currently in the process of transferring its UK local banking commercial bank accounts into the new GBS contract. The Department is also investigating transferring further Euro banking activity into the GBS contract where the banking activity can be undertaken from the UK.

2: Committee of Public Accounts conclusion
Departments need to improve their links with sponsored bodies and collect more accurate information on when they use their cash.

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

2.1 Departments continue to work on those systems already in place which improve links with their sponsored bodies. Where appropriate, sponsored bodies have been given a GBS account in order to keep funding within the Exchequer as long as possible. The improved information regarding funding flows has helped to ensure that payments are not made in advance of need and has improved the accuracy of cashflow forecasts. For example:

- **MOD** requires its sponsored bodies to complete a financial framework document that states the amounts required, when the money is needed and when payment is due. This is to ensure that the bodies are not funded in advance of actual need. Business units review forecast requirements and release funding on the basis of supporting evidence.

- **MOJ** has established common practices for all Grant in Aid requests that require approvals from both Sponsorship and Finance officials to ensure comprehensive governance.

- **BIS** has the capability to schedule partial payments to be made in respect of funding into Partner Organisations' commercial accounts as frequently as considered necessary. This enables a more flexible approach to the timing of its funding payments and is of particular use in respect of quarterly funding requests as payment can be released in three monthly instalments. Where an organisation is unable to move their banking arrangements to the GBS, BIS ensures that funding payments are made in alignment with its spending profiles.

- In **DFE** the majority of Education Funding Agency's payments by value are paid to academy trusts and local authorities in grants to run schools. The agency's General Annual Grant (GAG) payments to the academy trusts' commercial accounts are paid in 12 equal instalments across the academic year. The Education Funding Agency previously set limits on the proportion of GAG that any academy trust could carry forward from one year to the next. In the interests of reducing bureaucracy and increasing freedoms, DFE has removed these limits so that academy trusts have the freedom to keep money aside for when it is needed most and to build up reserves, for example for long-term capital projects.

3: Committee of Public Accounts conclusion
Departments need to improve their links with sponsored bodies and collect more accurate information on when they use their cash.

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

3.1 All Departments have a single central point of contact for cash forecasting. The benefits of greater internal integration are evident in the improvements in Departments' monthly variance figures. Similar to the Cashflow Management Scheme, Departments feed back to their bodies on performance, highlighting the importance of good cash forecasting and investigating discrepancies. For example:

- **MOJ** has integrated all its NDPBs to the MOJ cash management group and associated reporting. The Ministry has also deployed desktop tools which provide real time information on cash flow through all of the bank accounts making up the MOJ cash management group, including those of NDPBs.

- **DWP** and its shared service provider carry out reconciliations on both system and external bank accounts each month to ensure no over/under funding takes place and also maintains records of high value payments and yearly one-off payments.

- In **BIS** forecasts of the following month's payments and receipts values is commissioned directly from the relevant finance contacts in each of the spending areas of the Department. It produces Cash Management performance league tables including core BIS, the Partner Organisations within its cash management boundary, the British Business Bank, the Green Investment Bank and the Post Office Loan Facility so that their relative performance may be better measured, and poor performance addressed.

4: Committee of Public Accounts conclusion
With the tighter fiscal position, Boards should have greater oversight of information on cash flow, so they better understand the pattern of spend, as well as total spend, and can address any potential risks.

Recommendation:
Central finance teams should develop more informative reports, which ought to include movements in the main current bank accounts and comments on variances. Where there is an operational need to have commercial accounts, Boards should ensure that cash balances are invested in interest earning accounts, while having due regard for credit risk. They should also receive reports on the proportion of their cash which earns interest, the rates earned, and a credit assessment of the institution with which their funds are held.

4.1 Departments report to their boards on a monthly or quarterly basis about their position in the Cashflow Management Scheme league table and their outturn. This is done by varying methods. However some Departments are still working to improve their lines of reporting. For example:

- **MOJ**: The Financial Management Committee and the Executive Management Committee of the Board receive clear information on the department's spend and cash flow position on a monthly basis and are provided, by exception, with further information on any cash flow risks through additional commentary and the Financial Risk Register that goes to both boards.

- **DEFRA** circulates cash flow information to Directors and Executive Agency Chief Executives. Performance in cash forecasting is regularly discussed and continuous improvement is seen as a priority. Defra also carry out an annual review of interest rates and credit risk for all commercial bank accounts as part of this work.

- **DECC**: Because of the nature of the work of the department there is strong alignment between expenditure and cash flow and Board reporting therefore focuses on expenditure. The year to date position and forecast for the year for the Net Cash Requirement is reported alongside the budgetary control totals. The balances in DECC's commercial bank accounts are relatively small and are not separately reported.

- **DFE**: The core department group has minimal cash balances outside of GBS and all the accounts are within major commercial banks, so DFE reports on a basis proportionate to risk. The management of academy trusts' bank accounts and cash flows is the responsibility of individual academy trust boards. The Academies Financial Handbook requires trustees and managers of the academy trust to monitor current and forecast financial positions and performance. This includes managing banking, any investments or debt (both rare) and cash flow.

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

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

- **MOD** has dispensed with the need for traditional paper-based procurement practices. The Department has implemented a strategic e-purchasing tool which delivers electronic ordering, receipting and invoicing and allows trading partners to be paid electronically. It has been calculated that corporate processing produces savings of up to £41 per transaction. Further extension of e-procurement across the Department is planned to take place under the Contracting, Purchasing and Finance Project which is expected to go live in financial year 2016/17.

- **FCO** are working towards developing host to host payments processing capabilities to reduce the cost of making overseas payments.

- **DH** now receives over 98% of invoices electronically and approaching 95% for the issuing of remittances by email within minutes of payments being made. NHS England uses its financial system, the Integrated Single Financial Environment (ISFE), hosted by NHS Shared Business Services to make payments (this service is subject to tender to demonstrate value for money). Where previously, payments and receipts arrangements differed from PCT to PCT, this is now all performed by one organisation on behalf of the 221 CCGs and NHS England themselves, thus reducing the administrative cost of these functions.

6: Committee of Public Accounts conclusion
The Treasury needs to extend its incentives to encourage public bodies to keep more money in accounts at the Exchequer, for example: by making bodies' performance in this regard more transparent.

Recommendation:
Central finance teams should develop more informative reports, which ought to include movements in the main current bank accounts and comments on variances. Where there is an operational need to have commercial accounts, Boards should ensure that cash balances are invested in interest earning accounts, while having due regard for credit risk. They should also receive reports on the proportion of their cash which earns interest, the rates earned, and a credit assessment of the institution with which their funds are held.

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

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

- Monitoring quarterly information on commercial balances and continuing to push for limits on all commercial accounts;

- Issuing all Departments with a Cashflow Management Scheme Guide, to supplement HM Treasury's guidance *Managing Public Money*. Its contents will be reviewed continually and updated as necessary.

7: Committee of Public Accounts conclusion
The Treasury is already working with Departments to improve their performance, but should focus more on those Departments with the greatest scope to improve, based on current performance and the context in which they operate.

Recommendation:
In light of the tighter fiscal position, it should work with all Departments to help them identify how they can improve their forecasting accuracy, particularly at the end of the financial year, without compromising the policy of minimising cash balances held in commercial accounts.

7.1 The Treasury issues league tables at official level to Departments each month and the end of each year writes to Finance Directors to update them on their Department's Cashflow Management performance.

7.2 The Treasury provides coaching or support to new Departmental Cash Managers or underperforming Departments. The level of training is proportional to the funds for which the Cash Manager is responsible. This year the treasury produced a Departmental detailed guide on how the Cashflow Management Scheme works. This is a reference guide for Departmental Cash Managers which helps to explain what is expected of Departments.

7.3 The Treasury runs an annual Departmental Seminar which brings together around eighty Departmental Cash Managers. The Seminar is intended to spread best practice and to help improve cashflow forecasting.

8: Committee of Public Accounts conclusion

Where there is a value for money case for using a commercial provider for standard banking services, public bodies should seek approval from the Treasury.

Recommendation:

When procuring specialised banking services, organisations should first check whether the new Government Banking Service is able to provide them. If not, they should work with the Government Banking Service during the specification and tendering process, as it can coordinate knowledge sharing across the wider public sector.

8.1 The role of the Government Banking Service as an expert on money transmission services is now well embedded as has been evidenced in the procurement of new contracts. One major re-tender exercise - engaging effectively with all major departmental stakeholders - has derived cost effective contracts and close liaison with the payments industry main bodies is ensuring that the migration is as seamless as possible.

8.2 Indeed, in the case of HMRC the same sort code and account numbers are being used. Knowledge of existing and new products is shared across government by a regular newsletter to Finance Directors and ad-hoc meetings of key customers are held to discuss and agree common approaches to payment industry issues such as cheque imaging.

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

Annex B: Summary Commercial balance as at September 2015

Government Departments (including NDPBs)	2014 Total number of commercial accounts	2015 Total number of commercial accounts	2014 Total value commercial accounts	2015 Total value commercial accounts	Of which fund related to Exchequer
			£m	£m	£m
Business (BIS) (Note 1)	94	122	235.31	210.28	16.63
Communities (DCLG)	9	18	5.61	4.67	0.75
Culture (DCMS)	291	281	191.36	223.76	30.26
Energy (DECC)	12	11	20.12	12.70	12.70
Environment (DEFRA) (Note 1)	41	42	44.18	40.27	4.03
Health (DH) (Note 1)	117	100	45.19	49.38	48.98
Transport (DFT) (Note 2)	8	15	262.31	315.88	135.73
Education (DFE)	6	6	0.04	0.13	0.13
International (DFID) (Note 1)	50	50	1.01	0.65	0.03
Work / Pensions (DWP)	68	71	575.15	391.54	16.38
Foreign (FCO) (Note 1)	317	318	171.29	164.31	0
Revenue and Customs (HMRC)	21	21	44.70	38.52	27.63
Home Office (HO)	17	10	29.64	10.37	10.13
Treasury (HMT) (Note 1)	6	29	56.53	50.53	0
Justice (MOJ) (Note 1)	122	87	219.56	238.46	3.61
Defence (MOD) (Notes 1 and 3)	418	690	17.26	204.71	1.56
Total from departments	**1597**	**1871**	**1919.25**	**1956.15**	**308.56**
DFE Academies (Note 4)			2471.00	2816.00	
DH Foundation Trusts (Note 5)			222.00	98.00	
Treasury UK Asset Resolution			2245.01	1048.63	
Nuclear Liabilities Fund			500.00	225.00	
Network Rail			718.00	756.00	
Sub-total			**6156.01**	**4943.63**	
Grand Total			**8075.26**	**6899.78**	

Figures are compiled as per the Departmental return to the Treasury.

Notes: (1) Balance includes sterling equivalents. **(2)** £131.63 million of DFTs Exchequer funded commercial accounts is held by London Continental Railways Ltd. **(3)** MOD includes accounts held by arm's length bodies and sterling accounts held with partners for defence collaborative deals. **(4)** Academies figure shows balances as at March 2014 and March 2015 as data can only be provided once a year. **(5)** Foundation Trusts figure is for June 2015 as figures from Monitor for September 2015 not published until mid-December 2015. **(6)** Values are rounded up to 2 decimal places.

Annex C: Cash Management League Tables

Departments	April 2014 to March 2015	
	Cumulative Ranking	Average % Monthly Variance on Cash Forecast
Energy (DECC)	1	0.11
Work and Pensions (DWP)	2	0.84
Business (BIS) – inc UKAEA	3	1.00
International (DFID)	4	1.32
Wales Office	5	1.87
Education (DFE) / Teachers Pensions	6	2.05
Home Office	7	2.09
Revenue and Customs (HMRC)	8	2.14
NHS Pensions	9	2.16
Treasury (HMT)	10	2.48
Royal Mail Pensions	11	2.79
Transport (DFT)	12	2.85
Scotland Office	13	2.88
Communities (DCLG)	14	3.29
Justice (MOJ)	15	3.42
Environment (DEFRA)	16	3.95
Foreign (FCO)	17	5.73
Health (DH)	18	6.77
Northern Ireland Office	19	7.08
Defence (MOD) inc Pensions	20	7.16
Civil Superannuation	21	7.23
Culture (DCMS)	22	7.87

Departments	April 2015 to October 2015	
	Cumulative Ranking	Average % Monthly Variance on Cash Forecast
Energy (DECC)	1	0.22
Business (BIS) – inc UKAEA	2	0.30
Work and Pensions (DWP)	3	0.56
International (DFID)	4	0.87
Wales Office	5	1.22
Education (DFE) / Teachers Pensions	6	1.24
Revenue and Customs (HMRC)	7	1.37
Transport (DFT)	8	1.85
NHS Pensions	9	2.08
Communities (DCLG)	10	2.34
Treasury (HMT)	11	2.51
Scotland Office	12	3.18
Home Office	13	3.19
Health (DH)	14	3.21
Culture (DCMS)	15	3.88
Justice (MOJ)	16	4.07
Royal Mail Pensions	17	4.09
Northern Ireland Office	18	5.18
Environment (DEFRA)	19	6.44
Foreign (FCO)	20	7.17
Defence (MOD) inc Pensions	21	8.08
Civil Superannuation	22	9.10

Forecast Net Payment Flow and Outturn Figures: 2014-15

- Total forecast: £464.42 billion.
- Total outturn: £464 billion.
- Variance: £0.42 billion.

The above league tables are used in the Cashflow Management Scheme, which monitors the payments and receipts of each Government department. Each month, departments submit forecasts of their gross payments and receipts. By monitoring their Government Banking Service accounts, we calculate the implied net payment flow using balance plus funding received from the Consolidated Fund minus closing balance to give the implied net payment flow figure for the month. The difference between the forecast and the outturn is expressed as a percentage of the Forecast Net Payment flow. The target is for departments to be within 5% of their Forecast Net Payment flow figure. Departments receive monthly feedback on their performance showing both monthly and year to date outturn. The year runs from April to March. The outturns illustrated in the two tables are for 2014-15 and for April to October 2015.

List of Treasury Minutes 2015-20[3]

Treasury Minutes is a Parliamentary Command Paper, which is laid in Parliament, and is the Government's response to the Public Accounts Committee reports. The next Treasury Minute will be January 2016

Session 2015-16

Committee Recommendations: 24
Recommendations accepted: 19 (79%)
Recommendations not accepted: 5 (21%)

Publication Date	PAC Reports	Ref Number
December 2015	Government response to PAC reports 1 to 3	Cm 9170
January 2016[4]	Government response to PAC reports 4 to 7	Cm
March 2016[5]	Government response to PAC reports 8 to 13+	Cm

List of Treasury Minutes Progress Reports

The Government produces Treasury Minute progress reports on the implementation of Government accepted recommendations on a regular basis. The next update will be February 2016.

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

[3] List of Treasury Minute responses for Sessions 2010-15 are annexed in the Government's response to PAC Report 52
[4] Expected publication date
[5] Expected publication date

ISBN 978-1-4741-2661-8