



HM Treasury

Treasury Minutes

Government responses to the Committee of Public Accounts on the Twenty Second to the Twenty Fifth and the Twenty Eighth reports from Session 2016-17



Treasury Minutes

Government responses to the Committee of Public Accounts on the Twenty Second to the Twenty Fifth and the Twenty Eighth reports from Session 2016-17

- 22nd Report: Progress with the disposal of public land for new homes
(Department for Communities and Local Government)
- 23rd Report: Universal Credit; and fraud and error – progress review
(Department for Work and Pensions / HM Revenue and Customs)
- 24th Report: Sale of Northern Rock assets
(HM Treasury)
- 25th Report: Uniting Care Partnership contract
(Department of Health)
- 28th Report: Apprentice Programme
(Department for Education)

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

Cm 9413

February 2017

TREASURY MINUTES DATED 6 FEBRUARY 2017 TO THE COMMITTEE OF PUBLIC ACCOUNTS ON THE TWENTY SECOND TO THE TWENTY FIFTH AND THE TWENTY EIGHTH REPORTS FROM SESSION 2016-17

© Crown copyright 2017

This publication is licenced under the term of the Open Government Licence v.3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information, you will need to obtain permission from the copyright holders concerned.

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 9781474140614

Web ISBN 9781474140621

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

ID 31011702 02/17

Printed on paper containing 75% recycled fibre content minimum

Twenty Second Report of Session 2016–17

Department for Communities and Local Government

Progress with the disposal of public land for new homes

Introduction from the Committee

In September 2015 the Committee reported on the previous government's programme 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 Committee concluded that the Department for Communities and Local Government could not demonstrate the success of the programme in addressing the housing shortage or achieving value for money, and the Committee made several recommendations for improvement. In light of its Treasury Minute response to the PAC report, which failed to address the Committee's concerns adequately, and the start of the new programme in May 2015, the Committee recalled the Department to give further evidence in January 2016.

The new programme and the Government's commitment "*to sell land with capacity for more than 160,000 homes*" by April 2020, is the subject of this report. The Department for Communities and Local Government again holds overall policy responsibility for the new programme and for meeting the programme commitment by 2020. Individual Departments have been set their own target contributions, with the major contributors being the Ministry of Defence (land with capacity for 55,000 homes), the Department for Transport (38,000), the Department for Communities and Local Government itself (36,000) and the Department of Health (26,000).

On the basis of a report by the NAO, the Committee took evidence, on 7 September 2016, from the Department for Communities and Local Government; Homes and Communities Agency; Ministry of Defence; Department of Health; and Department for Transport. The Committee published its report on 2 November 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: *Disposal of public land for new homes - a progress report - Session 2016–17* (HC 510)
- PAC report: *Disposal of public land for new homes - Session 2016–17* (HC 289)

1 Committee of Public Accounts conclusion:

Departments have made a slow start in releasing land. The new programme is back loaded, which increases the risk that government will not meet its commitment.

Recommendation:

Individual Departments should focus on increasing the rate of disposal to meet the target by 2020. At a programme level, the Department for Communities and Local Government (DCLG) should work with other Departments to identify the barriers that are preventing the sale of land and the main risks, together with actions to address them and ensure any sites sold achieve an acceptable return for taxpayers while balancing the need for housing.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 The Department for Communities and Local Government (DCLG) has put in place strong governance and support arrangements to secure cross Whitehall engagement from Ministers and officials to drive delivery. Progress against the programme's aims is overseen by the Housing Implementation Taskforce (the Taskforce) chaired by the Secretary of State for Communities and Local Government. The Permanent Secretary for DCLG jointly chairs a Programme Steering Group with the Chief Executive of the Civil Service, which reports directly to the Taskforce. The Steering Group includes other Permanent Secretaries from the key landowning Departments. A Programme Board meets quarterly and holds all Departments to account for progress against commitments. A Delivery Board meets monthly to provide additional delivery support to address barriers and issues arising.

1.3 Identifying and resolving barriers to delivery is a priority for the programme. All Departments review their forward pipeline of sites on an on-going basis and update their programme delivery plans twice a year. When revising their delivery plans, Departments identify the key risks that could impact on the release of land and action needed to address them. The Homes and Communities Agency (the Agency) provides all Departments with a range of tools and resources to reduce site risks. These include providing place-based intelligence, such as support with addressing local planning issues, and technical expertise including detailed advice on the best disposal method and access to a panel of housing developers. Departments are encouraged to transfer land to the Agency for disposal where they are best placed to move sites quickly to market.

1.4 As well as working to speed up land disposals in this programme, the Government is also committed to speeding up the building of new homes on surplus public sector land by taking direct action on some sites. In October 2016 the Government announced a new Accelerated Construction programme which aims to encourage small and medium-sized builders, new developers and those using innovative methods of construction to build at up to double the rate of traditional house builders. The £1.7 billion of investment announced for Accelerated Construction will see up to 15,000 homes started in this Parliament.

1.5 Accounting Officers operate within the principles of Green Book and Managing Public Money. , In addition Cabinet Office plan to publish in February the *Guide for the Disposal of Surplus Property*, which supplements this advice. The Guide is aimed at departments' estates professionals and policy teams, and sets out the principles and technical processes involved in the disposal of surplus Government-owned land. In some cases it may be justifiable to choose the option which does not generate the highest Exchequer receipt.

2: Committee of Public Accounts conclusion:

The majority of sites identified by departments for future disposal are speculative, and many are still being used to deliver public services.

Recommendation:

All Departments need to identify capacity over their individual targets to create sufficient contingency in the programme to meet the overall commitment, without feeling pressurised to include sites for disposal if they think it is unlikely that homes will be built on these sites.

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

2.2 Departments are continuing to look strategically at their entire estate to see which additional sites can be identified for disposal. Any sites identified are regularly reviewed to ensure that they are suitable for housing. By the end of September 2016, the Department of Health had identified land with capacity for an additional 1,500 homes above its target. The Homes and Communities Agency had identified land with capacity for an additional 550 homes above its target.

2.3 The programme has strict monitoring criteria that must be met before a site can be scored towards the programme. This happens once a conditional contract, development agreement or building licence with a private sector partner is signed or freehold transfer takes place (whichever is sooner); and there is planning certainty that the site will be developed for housing. This planning certainty could be positive commitment or support from the local planning authority, inclusion in a local plan, outline planning permission or full planning permission.

3: Committee of Public Accounts conclusion:

The Department for Communities and Local Government has not made public the roles and responsibilities for the programme or decided how it will monitor the construction of homes on the sites sold.

Recommendation:

After lengthy delays, the Department for Communities and Local Government must now publish the programme handbook, including details of how it will monitor construction, as soon as possible and inform the Committee how it will do this. The Department for Communities and Local Government needs to ensure that its approach to the monitoring of construction demonstrates how the programme is addressing the housing shortage.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 The *Public Land for Housing programme 2015-20 Handbook* was published on 16 December 2016. On monitoring, the Department is committed to providing greater transparency on the number of homes built on land released during the 2011-15, and 2015-20 Public Land for Housing Programmes. The programme handbook confirms that the programme will collect data to monitor the development of sites up to completion. This will be done by tracking sites through the planning system and gathering evidence of the number of homes granted to each site. This will provide assurance that the programme is contributing to the delivery of new homes. The Department will shortly issue a tender for a research contract to gather the necessary data which will be published in an Annual Report in July 2017

4: Committee of Public Accounts conclusions:

The Department for Communities and Local Government has not yet decided what will be included in its annual report on the programme, or when it will be published.

Recommendation:

As a minimum, the annual report should cover: the number and estimated capacity of sites released, details of sites identified for future disposal including their risk rating, sales proceeds, details of sites released (including postcodes), and construction of new homes by type and tenure.

4.1 The Government agrees with the Committee's recommendation

Target implementation date: July 2017.

4.2 The Department plans to publish the first Public Land for Housing programme 2015-20 Annual Report in February. This will include information on the number of homes built on land released by the Homes and Communities Agency under the 2011-15 Public Land for Housing programme, and also include the local authority, planning reference and the housing capacity in the planning permission. The report will list all sites released in the first 18 months of the new programme, providing information on the postcode, local authority area, estimated housing capacity, and planning status at the point of sale. Future reports will include data at a site level including the planning status, postcode, local authority and the number of homes started and completed each year.

4.3 Details of government-owned property and land in the UK, including that which may be surplus or redundant are available on the Government Property Finder website. In addition, the Agency also publishes a Land Disposal and Development Plan twice a year setting out the sites it intends to bring to market over the subsequent 12-18 months. The Ministry of Defence has recently identified sites for disposal as a result of its Better Defence Estate Strategy, and the Ministry of Justice intends to identify further sites for disposal as a result of the Prison Estate Transformation Programme.

4.4 Future Annual Reports will publish details of the proportion of sites for each Department in each risk category. However to do so for individual sites prior to being declared surplus would be commercially sensitive. Departments regularly review the risks associated with site disposals, and these are considered by the Programme Board. It is anticipated that the number of high risk sites will reduce over time as mitigation strategies are put in place.

4.5 Cabinet Office's Government Property Unit (GPU) has conducted a review into making commercial terms of Government land disposals more transparent which is scheduled to be published in February.

4.6 The Department is committed to transparency and monitoring the construction of new homes under the programme and an Annual Report will be published in July each year will include this data. The tender issued to secure an external data contractor includes a requirement to identify the type and tenure of homes built.

5: Committee of Public Accounts conclusion:

There are many factors for departments to consider in maximising value for money in the sale of land.

Recommendation:

Departments should make public their estate strategies to demonstrate how they decide that land is surplus. All departments should outline the factors they will consider to ensure that each sale represents value for money, and set out how they are identifying any wider benefits, including for staff and key workers, which contribute to the Departments' objectives.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: July 2017.

5.2 Each department prepares a Strategic Asset Management Plan (SAMP), which is set within the context of the Department's business and transformation plans, the Government Estate Strategy and cross-cutting government policies and initiatives. The SAMP is a detailed and internal document enabling Departments to manage their business, and includes policy and commercially sensitive information. Within each SAMP there will be an executive summary setting out objectives and commitments for managing the estate, including contributions to wider government objectives, such as public sector land disposals.

5.3 The latest Government Estate Strategy will be published Spring 2017, and Departments' SAMPs will then be finalised in July. Following this, Departments will publish the executive summary of their SAMP on GOV.UK

5.4 Managing Public Money and the Red Book (Appraisal Guide) provide the necessary framework for decision making and ensuring each disposal provides value for money. Alongside this guidance the Government's updated Guide for the Disposal of Surplus Property will set out the factors that should be considered by Departments when selling their surplus land. The Accounting Officer of each department disposing of land is responsible for ensuring value for money in accordance with this guidance, and the Public Land for Housing programme 2015-20 handbook published in December 2016 sets out these responsibilities in more detail.

Twenty Third Report of Session 2016-17

Department for Work and Pensions / HM Revenue and Customs

Universal Credit and fraud and error: progress review

Introduction from the Committee

The Committee has reported several times, in recent years, on the Department for Work and Pensions implementation of Universal Credit, and on its efforts, alongside HMRC, to tackle fraud and error when paying benefits and tax credits. The Committee's most recent report on Universal Credit was in February 2016 and the Committee's most recent report on fraud and error was in October 2015. The Committee does not underestimate the challenges of implementing such an ambitious programme as Universal Credit and of getting to grips with the longstanding problem of fraud and error. However, in the Committee's view, the responses from both the Department of Work and Pensions and HMRC to the recommendations in the two reports are weak, and the Committee was not convinced that either Department was doing enough to address the Committee's concerns. The Committee therefore recalled the two Departments to discuss matters further.

The Committee took evidence, on 20 July 2016, from the Department for Work and Pensions and HM Revenue and Customs on progress made following the Government's response to Parliament (Treasury Minute) on Universal Credit, and fraud and error. The Committee published its report on 4 November 2016. This is the Government's response to the Committee's report.

Background resources

- PAC report: Fraud and error stocktake – Session 2015-16 (HC 394)
- PAC report: Universal Credit: progress update - Session 2015-16 (HC 601)
- PAC report Universal Credit and fraud and error: progress review – Session 2016-17 (HC 489)
- Treasury Minutes – January 2016 (Cm 9190)
- Treasury Minutes – March 2016 (Cm 9327)

1: Committee of Public Accounts conclusions:

The Department for Work and Pensions has announced yet another delay to completing the roll out of Universal Credit, which it attributes to policy changes announced a year ago.

Recommendation 1:

The Department should explain why its flexible approach to system development has been unable to accommodate policy changes announced in July 2015 and should set out clearly what impact these delays will have on operational costs, staff and claimants on both Universal Credit and legacy systems. This explanation should be provided to the Committee by March 2017.

1.1 The Government agrees with the Committee's recommendations.

Target Implementation Date: Spring 2017.

1.2 A flexible approach to system development allows the Department to adjust its plans in the light of new information. The Department explained, at the Committee's evidence session, in July 2016, which the policy changes, announced in the Budget 2015, subsequently modified during the course of the passage of the legislation through Parliament, required a change to the scope of the Programme and the implementation timetable.

1.3 The Department will write to the Committee, in Spring 2017, setting out the impact of the changes to the Programme on operational costs, staff and claimants.

2: Committee of Public Accounts conclusions:

The Department has not updated its assessment of the expected benefits of Universal credit in the light of policy and operational changes.

Recommendation 2:

The Committee reiterates its previous recommendation that the Department should set out clearly the changes to the business case for Universal Credit since its outline business case in 2015. It should include a brief summary of the policy changes and, using its ready reckoners, a clear explanation of the impact on the Programme's costs and benefits.

2.1 The Government agrees with the Committee's recommendation.

Target Implementation Date: Autumn 2017.

2.2 The Department will reflect the changes subsequent to the Outline Business Case assessment, such as the additional reforms to Universal Credit announced at Budget 2015, the Autumn Statement 2015 and the Autumn Statement 2016, as part of the Full Business Case process.

2.3 The Department will share the Full Business Case with the NAO when it has been agreed in Autumn 2017. The Department will also write to the Committee to provide a summary of major changes since the Outline Business Case.

3: Committee of Public Accounts conclusion:

Systems underpinning Universal Credit are still underdeveloped and there are signs of pressure on staff.

Recommendation:

Before the speed at which Universal Credit is rolled out is increased, the Department should ensure that there are sufficient opportunities for staff to engage in testing and learning processes and set out for the Committee what it has done to address staff concerns. The Department should write to the Committee to inform it of action taken by May 2017.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2017.

3.2 At every stage of development of Universal Credit, there has been considerable involvement of Operations. The Programme has had frontline staff within the design teams, and heavily involved in testing. These staff engage with other front line colleagues to see how newly developed features are being used, and feed that learning back into the design. The Programme also has Operational representation at every Governance level and an Implementation Control Centre that manages concerns escalated by staff, with comprehensive feedback.

3.3 The Department will update the Committee in Spring 2017.

4: Committee of Public Accounts conclusions:

Universal Credit's rigid monthly assessment period causes difficulties for claimants whose pay or rent are based on four weekly periods.

Recommendation:

The Department should ensure that claimants, whose pay or rent cycles do not align with Universal Credit assessment periods, are made aware of this issue and the potential consequences, and are informed of what support is available should this be needed. The Department should also examine what it can do to adapt its systems to cater for these circumstances or provide more information about what it is doing to secure change with employers and landlords.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The Department published guidance: *Universal Credit – Different Earning Patterns and your Payments* on GOV.UK on 23 September 2016. The guidance explains to claimants and stakeholders the impact if earnings are not paid each calendar month, the effect on Universal Credit payments and what claimants need to do. The Department continues to refine this as the Universal Credit service develops.

4.3 This guidance has been adapted and sent to key employers and stakeholders, and the Department will be adapting a version for staff to enhance their toolkit when explaining the effect of payment cycles on Universal Credit. Alongside this, the Department is developing a number of products, including leaflets and internet based guidance that helps claimants understand the interaction between Universal Credit, their earnings and paying their rent.

4.4 The Department also continues to engage with employers and landlords through Stakeholder Engagement Groups. The Universal Credit Programme uses these groups to update key delivery partners on progress, and to gather intelligence about how the system is working, so the Programme can feed that back into the design teams.

5: Committee of Public Accounts conclusion:

Neither the Department for Work and Pensions, nor HMRC, has set meaningful targets for tackling fraud and error.

Recommendation:

The Department for Work and Pensions and HMRC should set stretching targets for fraud and error across all benefits and tax credits to secure better performance, review these targets annually, and report progress to the Committee.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

5.2 In July 2016, DWP and HMRC announced a new external target for overpayments to be no more than 1.6% of expenditure during 2017-18. This figure represents net loss across welfare (DWP benefits plus Tax Credits) once DWP recoveries are taken into consideration. This target already implies a 20% reduction compared to 2013-14. Progress is reported annually in the Departments' accounts. Targets beyond 2017-18 will be set in the autumn of 2017, alongside the autumn Budget.

6: Committee of Public Accounts conclusion:

The Department for Work and Pensions' understanding of the level and causes of fraud and error in Universal Credit and some other benefits is incomplete, potentially undermining efforts to reduce losses.

Recommendation:

The Department for Work and Pensions should: establish and agree with the National Audit Office a robust method for estimating Universal Credit fraud and error; and undertake regular risk assessments to improve its understanding of the causes of fraud and error in those benefits where it has not been measured for some time or at all.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 Based on the preliminary 2015-16 fraud and error estimates, the Department looked at how to refine the Universal Credit measurement system to properly reflect key differences within Universal Credit and provide a more accurate measurement. The Department outlined plans for the improved methodology to the NAO and this was reflected in the final 2015-16 estimates published in December 2016.

6.3 The Department recognises that means-tested benefits demonstrate the highest levels of fraud and error so focusses the measurement system primarily on those benefits. The mix of benefits to be measured is periodically reviewed and agreed by the Department's Fraud, Error and Debt Council. The only change currently planned to the portfolio of benefits covered by the measurement system is the inclusion of Personal Independence Payments, which will be published by June 2017.

6.4 The Department's strategies for tackling fraud and error in Disability Living Allowance and Carer's Allowance are based on wider ranging internal information, and are not dependent on an updated measurement exercise for those benefits. The Department is developing its strategies and approach to risk to reflect the shift to Universal Credit and establishing cross-cutting activity as a means of focussing on the principal causes of fraud and error across all benefits.

6.5 The Department is continuing to work with the NAO to tailor their optimal control framework (Strategy, Design, Implementation, Monitoring and Evaluation) to Pension Credit, with a view to extending this model across other key benefits. The framework includes a requirement to measure the results of particular interventions, which will help estimate future levels of fraud and error.

7: Committee of Public Accounts conclusion:

The Department for Work and Pensions estimates that inaccuracies in its information on income and earnings resulted in almost £1 billion of losses in 2015-16.

Recommendation:

The Department for Work and Pensions should update the Committee, following the publication in November 2016 of the 2015-16 final fraud and error estimates, on its progress in tackling the largest areas of loss. It should include details of the impact of making full use of RTI in reducing over and underpayments due to errors in income and earnings.

7.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2017.

7.2 The final 2015-16 statistics were published on 8 December 2016. Once analysis has been completed, the Department will write to the Committee outlining progress and the impact RTI has had on both over and underpayments.

8: Committee of Public Accounts conclusions:

Too many claimants are unclear about the rules and obligations that apply when claiming benefits or tax credits, leading to high levels of claimant error.

Recommendation:

The Department for Work and Pensions and HMRC should report back to the Committee by the end of the year on what has been set for their new underpayments and accuracy targets, and the rationale behind those targets; and undertake research to understand the issues that confuse claimants and take appropriate action to better inform claimants of the rules and their obligations in order to reduce the level of claimant error.

8.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

8.2 Both Departments wrote to the Committee, in January 2017, outlining their respective targets for underpayments. Together with the existing fraud and error targets, these indicators provide clear measures of benefit accuracy.

8.3 HMRC will continue its Tax Credit customer research programme with a view to improving customer experience across multiple channels, including adding online new claims to its digital offer.

8.4 HMRC is researching customers' understanding of when they need to report a change in circumstances. This includes what they need to do when they move to Universal Credit and how the Department can improve digital services and the customer experience during Universal Credit transition.

8.5 HMRC has been finding ways to help customers to declare new partners, focusing on claimants' understanding of what they need to do to be compliant. The Department is writing to claimants to help them to understand when they need to report a partner and is making the processes for customers to shift from single-to-joint claims quicker and easier.

8.6 DWP is using behavioural insight to help customers report changes. The Department has updated 60 fraud and error products in 2016, and will improve communications throughout 2017 by reviewing the language and prominence of the customer declaration. The Department has built in customer and stakeholder testing, including commissioning independent customer focus groups.

8.7 For Universal Credit, DWP is using customer insight to improve understanding of what drives responses and behaviour. This is in respect of claims for partners and to inform design changes to improve claimant orientation and screen content. DWP is working with specialists to understand the most effective interventions and levers. The Department is trialling different letters to improve the 'Failure to Attend' rate for Local Service Compliance interviews.

8.8 Both Departments regularly share learning from these exercises in order to develop best practice.

Twenty Fourth Report of Session 2016-17

HM Treasury

The sale of former Northern Rock assets

Introduction from the Committee

In 2008 during the financial crisis Northern Rock was nationalised. The taxpayer took on all of the bank's assets and liabilities, including a special purpose securitisation vehicle called Granite. All of Northern Rock's legacy assets are managed by UKAR, which is owned by HM Treasury and supervised by UK Financial Investments (UKFI). Since 2014, following UKAR's reclassification as a public body, HM Treasury and UKFI's primary objective for UKAR has been to shrink the size of its balance sheet as swiftly as possible, while demonstrating value for money.

In March 2015, UKAR publicly launched a sale of £13 billion of former Northern Rock assets including Granite. In November 2015, following a competitive process UKAR announced that a consortium led by affiliates of Cerberus Capital Management LP (Cerberus) had purchased the assets. The sale, which achieved completion in May 2016, resulted in Cerberus paying a fraction more (0.6%) than the outstanding value of the loans. After discharging the liabilities and other adjustments the taxpayer received £5.5 billion in cash. Some 270,000 mortgages and loans were sold in the deal.

On the basis of a report by the NAO, the Committee took evidence, on 12 September 2016, from HM Treasury; UK Financial Investments (UKFI); and UK Asset Resolution (UKAR). The Committee published its report on 9 November 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: The £13 billion sale of former Northern Rock assets - Session 2016-17 (HC 513)
- PAC report: The sale of former Northern Rock assets - Session 2016-17 (HC 632)

1: Committee of Public Accounts conclusion:

There are lessons to be learned from this successful sale.

Recommendation:

HM Treasury should conduct a post-sale review for this, and all other major sales, setting out lessons learned and ensure these are shared across Government to increase corporate finance knowledge and skills.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 The Treasury, with UKFI, has undertaken a lessons-learned exercise to ensure that the successes of the large and complex transaction can be applied to future Government asset sales. UKFI is now part of UK Government Investments (UKGI) which allows for lessons and expertise to be shared for other asset sales.

2: Committee of Public Accounts conclusion:

There was no formal business case for the sale and alternative sale options were not valued until very late in the sale process.

Recommendation:

HM Treasury should ensure that formal business cases are produced for every asset sale. These should include a timely valuation of all potential sale options, and be updated throughout the sale process. HM Treasury should develop business case guidance and a template specifically for asset disposals.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: Summer 2017.

2.2 For this transaction, a detailed business case, including a valuation of potential sale options, was worked up by the Treasury, UKFI and UKAR and documented through advice provided to Ministers and Accounting Officers and papers provided to the Boards of UKFI and UKAR, rather than in a single document. For future sales, a single business case document will also be produced and maintained as suggested. Guidance provided in the Green Book, and its supplements, is periodically reviewed. Clarification and supplementary guidance and templates will be considered as part of this process.

3: Committee of Public Accounts conclusion:

The valuations of the assets sold erred on the side of caution and the assumptions on which they were based were not well evidenced, creating a risk that UKAR could have sold the asset for less than its inherent worth.

Recommendation 3a:

HM Treasury should ensure that hold and sell valuations are produced for all asset sales. The sell valuation should be from the perspective of a potential buyer, informed by market data on the cost and mix of finance that a buyer would use; if there are different buyer types it may be appropriate to produce more than one sell valuation.

3.1 The Government disagrees with the Committee's recommendation.

3.2 The Treasury believes that the valuation of the assets sold was robust and based on appropriately evidenced assumptions which were properly informed by market data on both the cost and mix of finance that a buyer would use. In the future, the Treasury will expect similarly robust sale valuations to be produced on any sale. It will also expect hold valuations to be produced where that is appropriate, recognising that there are instances where this may not be the case – for example, where there is an overriding policy rationale to sell the asset concerned (such as when selling stakes in banks, where the Treasury is committed to returning them to the private sector).

Recommendation 3b:

HM Treasury should consider setting up an independent panel of valuation experts for all major sales to review and challenge valuations in advance of all significant asset sales.

3.3 The Government disagrees with the Committee's recommendation.

3.4 All significant asset sales are already tested by valuation experts. This role is fulfilled by the UKAR, UKFI, and UKGI Boards, which all include appropriately qualified independent non-executive directors whose role is to challenge the actions of the executive, including the valuations that they produce. The companies also receive independent external advice on the sales they undertake. We do not believe an additional independent panel of valuation experts would add value beyond the role fulfilled by the Boards and independent external advisors.

4: Committee of Public Accounts conclusions:

The process used by UKAR to appoint Credit Suisse as its financial adviser for the sale did not follow good practice.

Recommendation:

HM Treasury should ensure that Departments and arm's length bodies have an open competition to select a financial adviser. Sale advisers must be independent and not conflicted through involvement in other roles on the sale (such as financing or bidding). However, if there are exceptional circumstances where conflicts are unavoidable, there must be a clear rationale and plan in place to mitigate risks.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The Treasury agrees that the appointment of financial advisers should be competed wherever possible, but considers that there are circumstances where this competition should sensibly be from a limited field, rather than fully open. This might, for example, be the case where there are only a limited number of firms with the necessary expertise or where confidentiality requirements prevent a wider competition.

4.3 The Treasury also recognises the benefits of adviser independence, but considers that, as long as any potential conflicts are ones which are capable of being properly managed, then the priority should be to ensure that the Government receives the best advice possible. In the private sector, it is common practice for advisory firms to play other roles on a sale, including financing bidders – as long as appropriate safeguards are in place. It is important that the Government has similar flexibility when it appoints its advisors.

4.4 On large sales, the relative return available to firms from acting in a financing capacity greatly outweighs any payment they would receive as adviser to the Government. If the Government was to rule out its adviser from playing such a role altogether as a matter of course, rather than ensuring that any potential conflicts are properly managed, then this would likely prevent it from receiving the best possible advice and would therefore run counter to the interests of best value.

5: Committee of Public Accounts conclusion:

Ex Northern Rock customers whose mortgages were sold to Cerberus are paying more for their mortgages than those whose mortgages remain with UKAR.

Recommendation 5b:

UKAR and UKFI should consider what measures should be put in place to protect customers from being disadvantaged by such sales. They should attempt to quantify the potential impact on the sales price of placing more comprehensive restrictions on future interest rate movements.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 A key consideration in selecting the buyer was the continued fair treatment of customers. There were no changes to the terms and conditions of the mortgages involved in this transaction, which remain covered by the Financial Conduct Authority Mortgage Code of Business rules. UKAR included protections in the sale agreement, such as a 12-month restriction on increases in the standard variable rate and maintaining UKAR's debt management principles. UKAR will continue to seek the continued fair treatment of customers in any future sale.

Recommendation 5b:

The Financial Conduct Authority should consider whether consumers would benefit from understanding how different types of mortgage lender set interest rates, and what this could mean for borrowers should the owner of their mortgage change.

5.3 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2018.

5.4 Under current FCA rules governing mortgages sales, lenders are required to provide consumers with information on the interest rate applicable to their mortgage. This information must be clear, fair and not misleading. In addition, where a lender sells a book of mortgages it is obliged to notify those consumers affected if it will no longer be responsible for setting interest rates and charges.

5.5 The FCA has launched a market study to consider whether competition in the mortgage sector can be improved to benefit consumers; it will focus on first charge residential mortgages and cover each stage of the consumer journey.

5.6 The market study will explore a range of issues, some of which address the Committee's recommendation. For example, it will examine whether there are any concerns that are more pronounced for different types of products and consumers with different circumstances, and if necessary will consider what can be changed to help consumers make better choices. This work will involve consideration of consumers' understanding of mortgage products and the choices available to them - this includes rates, fees and charges and other product attributes more broadly. These considerations should be the same irrespective of whether the lender changes.

5.7 Consumers' ability to understand their mortgage product and shop around effectively is important regardless of who owns the mortgage, therefore the work will cover all consumers, including those where the owner of their mortgage has changed. The Treasury has set out the intended scope of the market study in a terms of reference document.¹

5.8 The FCA aims to publish an interim report in summer 2017, setting out the analysis and preliminary conclusions including, where practicable and appropriate, possible remedies to address any concerns identified, and release the final report in early 2018.

6: Committee of Public Accounts conclusion:

HM Treasury did not consider the tax domicile and its impact on expected tax payments of bidders during the sale even though these could have an effect on the overall taxpayer value of a transaction.

Recommendation:

When an asset is sold HM Treasury should require Departments as far as possible to discount gains from tax avoidance that may be factored into bids. HM Treasury should also produce unambiguous guidance, for both selling departments and potential bidders on if, and how, tax will be taken into consideration as part of a sale or a contract award.

6.1 The Government disagrees with the Committee's recommendation.

6.2 The Government is opposed to unlawful tax avoidance and, when proven, expects HMRC to take appropriate steps. The Treasury disagrees with a recommendation to discount bids made lawfully by bidders with a non-UK tax jurisdiction. It is not practical to bind buyers into any particular tax arrangements after they have made a purchase, and so any assessment of future tax revenues made when bids are evaluated could soon become nugatory. To discount bids from non-UK firms would risk undermining the competitive process and therefore undermine the potential for securing value from any sale. Finally, to discriminate against a company based on its tax jurisdiction would risk the Government being exposed to legal challenge.

¹ <https://www.fca.org.uk/publication/market-studies/ms16-02-1.pdf>

Twenty Fifth Report of Session 2016-17

Department of Health

UnitingCare Partnership contract

Introduction from the Committee

Cambridgeshire and Peterborough Clinical Commissioning Group (the CCG) needed to change the way its older people's and adult community services were provided, as it faced a funding shortfall of £250 million in the five years to 2018–19. It wanted to provide a better and more integrated service to patients, while at the same time making efficiencies through reduced hospital admissions. In November 2014, following a competitive tendering process, it awarded a five-year contract for £726 million to UnitingCare Partnership, a limited liability partnership, to provide these services in Cambridgeshire and Peterborough.

The partners in UnitingCare Partnership were Cambridge University Hospitals NHS Foundation Trust and Cambridgeshire and Peterborough NHS Foundation Trust. The contract began in April 2015 but was terminated in December that year after only eight months, because of a failure to reach agreement on contract cost. The termination led to unfunded costs incurred by UnitingCare Partnership totalling at least £16 million, which had to be shared between the two trust partners and the CCG, worsening their financial positions and reducing the money now available to provide patient services in Cambridgeshire and Peterborough.

On the basis of a report by the NAO, the Committee took evidence, on 14 September 2016, from NHS England, NHS Improvement, Cambridgeshire & Peterborough Clinical Commissioning Group, Cambridge University Hospitals NHS Foundation Trust and Cambridgeshire and Peterborough NHS Foundation Trust. The Committee published its report on 16 November 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: *Investigation into the collapse of the UnitingCare Partnership contract in Cambridgeshire and Peterborough - Session 2016-17 (HC 512)*
- PAC report: *UnitingCare Partnership contract - Session 2016-17 (HC 633)*

1: Committee of Public Accounts conclusion:

By putting the contract for older people's and adult community services out to tender, Cambridgeshire and its own responsibility to commission local health services.

Recommendation:

Local commissioners should take responsibility for designing more integrated systems of healthcare themselves, drawing on skills from within the NHS. They must not abdicate commissioning responsibilities to a body which is not clearly accountable to the taxpayer.

1.1 The Government disagrees with the Committee's recommendation.

1.2 The Government agrees that local commissioners should lead the development of commissioning strategy in their area. However, under Section 3 of the NHS Act 2006, a CCG has a duty to arrange for the provision of the services described in that section, as it considers necessary to meet the requirements of persons provided with primary medical services by a member of the CCG or usually resident in the CCG's area (and not the responsibility of another CCG). The award of a commissioning contract, which envisages the sub-contracting by the provider of certain services commissioned under that contract, is not an abdication of a CCG's duties under Section 3.

1.3 The NHS Standard Contract, the terms of which must, in accordance with the National Health Service Commissioning Board and Clinical Commissioning Groups (Responsibilities and Standing Rules) Regulations 2012, be incorporated by CCGs in their commissioning contracts, permits the sub-contracting of services with the prior written consent of the commissioner.

1.4 The sub-contracting of services by providers (NHS Trusts, NHS Foundation Trusts and independent sector providers) commissioned by CCGs, via “lead provider” arrangements, is well-established and widespread to ensure and facilitate:

- efficient use and allocation of resources;
- integration and co-operation between providers;
- the availability of overflow capacity and use of underused capacity, to allow for management of activity and compliance with NHS Constitution Standards on waiting times;
- the availability of patient choice, as required by the NHS Constitution;
- the availability of clinically-appropriate, high quality, patient-centred care; and
- diversity of provision, for example to involve the voluntary sector.

1.5 A “lead provider” does not assume the statutory commissioning responsibilities of the CCG; it does have, and retains, contractual responsibility to the CCG for the management and delivery of sub-contracted services.

1.6 The Department anticipates that lead provider / sub-contractor arrangements will be a feature of a significant proportion of service delivery models established pursuant to the Five Year Forward View. The variants of the NHS Standard Contract being developed by NHS England in partnership with commissioners for use in commissioning these new models of care will, as with the generic NHS Standard Contract, permit sub-contracting with the consent of the commissioner. But the intention is to be more prescriptive as to the form of any sub-contract, and of collateral agreements to be entered into between the sub-contractor and the commissioner (to provide assurance in the event of lead provider failure); and to be more explicit as to the rights of the commissioner to require replacement of failing sub-contractors, or for a sub-contractor to be appointed if the lead provider itself is underperforming in delivering any service.

2: Committee of Public Accounts conclusion:

There was a fundamental mismatch between what the CCG expected to pay for the contract and what UnitingCare Partnership expected to receive.

Recommendation:

NHS England’s new checklist for CCGs should set out the minimum steps that CCGs should take to assess the realism and viability of bids.

2.1 The Government agrees with the Committee’s recommendation.

Target implementation date: March 2017.

2.2 NHS England and NHS Improvement established an Integrated Support and Assurance Process (ISAP) in November 2016.² This covered the key lines of enquiry (the collective term for the areas of focus for NHS England and NHS Improvement’s assurance regimes) for commissioners to consider when assessing the viability of bids for complex contracts.

2.3 Guidance that is more detailed is due to be published by the end of the financial year, which will cover the full list of risks commissioners should assess under each key line of enquiry. Commissioners then need to demonstrate they have assessed the realism and viability of bids by submitting their assessment to the ISAP for assurance.

3: Committee of Public Accounts conclusion:

It was grossly irresponsible of the trusts and the CCG to rush ahead with the contract without sufficient clarity on the costs and the risks.

Recommendation:

NHS England and NHS Improvement need to introduce safeguards, so that CCGs and trusts cannot start a contract unless they have agreed the cost and scope of the services to be provided.

² <https://www.england.nhs.uk/wp-content/uploads/2012/03/isap-intro-guidance.pdf>

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 The Integrated Support and Assurance Process (ISAP) guidance established a series of three checkpoints that any proposed complex contract should complete alongside the procurement process. Checkpoint 1 takes place just before formal procurement or other commissioning process; Checkpoint 2 takes place when a preferred bidder is identified, but before the contract is signed; and Checkpoint 3 takes place before service commencement.

3.3 At each checkpoint, commissioners need to demonstrate that there are clear clinical transformational benefits from the complex contract, and that the contracted services are financially sustainable for all parties involved. Feedback is provided at the end of each checkpoint, including recommended next steps and, as appropriate, commissioner and provider risk ratings.

3.4 The ISAP process gives the following clear guidance of the work that should be undertaken to manage financial risk in the contract:

- accurate baseline cost data must be identified for and signed off by all of the existing providers of services in scope of the new model of care;
- a financial model of the costs and expected benefits from the new model of care compared to the do-nothing option must be developed;
- an assessment of the transformation costs must be made based on reasonable assumptions about the likely period over which the transformation will be delivered; and
- the commissioner has identified all of its current contracts with providers (and potential subcontractors) that will be within scope of the new model of care.

3.5 The decision about whether to procure and award a contract must be one for local commissioners, and the ISAP should not and cannot remove this decision to the national bodies. However, the view of the national bodies should form a key consideration for local commissioners. NHS England expects commissioners to action the additional activities indicated in the checkpoint outcome prior to the decision to proceed. In addition, NHS Improvement will expect NHS foundation trusts and NHS trusts to pause and adapt their involvement in a transaction if NHS Improvement's Provider Regulation Committee issues a red transaction risk rating, in accordance with NHS Improvement's transaction guidance.

4: Committee of Public Accounts conclusion:

Services for patients in Cambridgeshire are likely to suffer due to this failed contract.

Recommendation:

In its sustainability and transformation plan the CCG should be clear about the impact of this contract failure on its ability to deliver health care services to the people of Cambridgeshire and Peterborough.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The CCG accepts that the failure of the UCP contract has delayed its work on improving services for elderly patients. However, the CCG and local system partners have used the Sustainability and Transformation Plan (STP) process to set out a more partnership-based approach. The STP submitted in October a balanced plan seeking to address the identified resource gap by 2020-21. The plan is based on efficiencies and savings from managing demand, establishing integrated care in community hubs, rationalisation of acute overheads, ensuring best practice on referrals and the use of clinical thresholds.

4.3 NHS England has confirmed that the Cambridgeshire and Peterborough system is now working collectively on service transformation in a way that was lacking in the run-up to the collapse of the UCP contract.

5: Committee of Public Accounts conclusion:

This contract collapse is yet another case of the NHS lacking the commercial skills to procure patient services effectively.

Recommendation:

By April 2017, NHS England should report back to the Committee on what specifically it has done to improve the quality of commercial skills available to local NHS bodies, as identified in its seven key lessons for the future.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2017.

5.2 Currently CCGs are testing and strengthening the quality of their procurement and contracting support through the NHS England's Lead Provider Framework. This is driving up quality and value for money by providing expert procurement advice to all CCGs. 70 CCGs have already awarded contracts for support under the Framework and a further 27 are out to procurement now. Another 54 will have launched procurements by April 2017.

5.3 Furthermore, the Strategic Projects Team, who were involved in advising on the UnitingCare Partnership procurement, has been disbanded and Commissioning Support Units (CSU) offer CCGs access to teams that are capable of managing major procurements and can give CCGs and others expert advice. They routinely manage multiple procurements on behalf of CCGs and other organisations. All CSUs have been made aware of the outcomes of the UnitingCare Partnership procurement.

5.4 Finally, a key purpose of the Integrated Support and Assurance Process is to provide local NHS bodies not only with assurance, but also with access to support from central expertise across NHS England and NHS Improvement. This will help supplement local knowledge and expertise with broader national and regional experience.

6: Committee of Public Accounts conclusion:

The elaborate contract set up exposed gaps in regulatory and oversight arrangements which, if not addressed, may reoccur in local initiatives proposed as part of sustainability and transformation plans.

Recommendation:

Before local areas start to implement their sustainability and transformation plans from April 2017, NHS England should report back to the Committee on how it plans to ensure that any innovative arrangements for providing services can be scrutinised by the full range of health oversight bodies.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 At each checkpoint in the Integrated Support and Assurance Process (ISAP), a panel will be convened by the NHS England regional director to review and challenge the submission. The panel membership is expected to include a combination of a medical director, NHS England and NHS Improvement regional and regulatory representation and relevant subject matter experts in finance, commissioning development and other areas as required, depending on the type, scope and stage of procurement.

6.3 If the panel identifies major risks to the provider or the commissioner, such that it is recommended that the procurement is not started, the contract is not awarded or the process is significantly delayed, the panel will inform (and consult as appropriate) NHS England's executive team and/or NHS Improvement's Provider Regulation Committee.

6.4 At checkpoint 2, once the NHS England and NHS Improvement integrated panel has reviewed the submission; they will make recommendations to the respective governance forums of each organisation. Throughout, NHS England and NHS Improvement will work together to fulfil the objectives of the ISAP, and will be responsible for activities consistent with the respective functions of the organisations.

6.5 As the regulator of care quality, CQC is independent from the process and does not form part of the panel during the checkpoints. However, in order to streamline the submission process, CQC will provide advice and information at appropriate points.

Twenty Eighth Report of Session 2016-17

Department for Education

The apprenticeships programme

Introduction from the Committee

In England, an apprenticeship is a full-time paid job, available to those aged 16 or over, which incorporates on- and off-the-job training. In July 2016, the Department for Education assumed overall responsibility for apprenticeship policy, having previously shared responsibility with the then Department for Business, Innovation and Skills. Several other bodies, such as the Skills Funding Agency, Ofsted and Ofqual, are also involved in overseeing the system.

The Department is introducing some significant changes to support the delivery of the apprenticeships programme. For example: groups of employers, representing their sectors or occupations, are coming together to design a brand new set of apprenticeship standards; from April 2017, employers with a pay bill of over £3 million per year will be required to pay 0.5% of their pay bill in the form of an apprenticeship levy; and also in April 2017, an independent, employer-led Institute for Apprenticeships will begin to operate, whose role will include regulating the quality of apprenticeships. In 2015–16, public funding of apprenticeships was around £1.5 billion. In the five year period broadly equivalent to the last Parliament, there were around 2.4 million new apprenticeship starts. The current objective is to facilitate 3 million new apprenticeship starts during the period 2015 to 2020.

On the basis of a report by the NAO the Committee took evidence on 12 October 2016 from the Department for Education, the Department for Business, Innovation and Skills, the Institute for Apprenticeships, the Skills Funding Agency, and the Education Funding Agency. The Committee published its report on 30 November 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: *Delivering value through the apprenticeships programme* – Session 2016-17 (HC 624)
- PAC report: *The apprenticeships programme* – Session 2016-17 (HC 709)

1: Committee of Public Accounts conclusion

The programme involves more than just increasing apprentice numbers, but this is the only outcome the Department for Education is monitoring.

Recommendation:

The Department should publish, and regularly report on, a broader range of success measures, both at local and national level. These measures should include whether apprentices move on to higher apprenticeships, whether successful apprentices benefit from increased earnings, and whether the programme is delivering improved access to under-represented groups across all occupations.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2017.

1.2 The Department is developing a benefits realisation strategy, which will include a set of success measures for the Apprenticeships programme. The success measures will build upon those that have already been made public:

- 3 million apprenticeships created by 2020;
- Increase Black, Asian and Minority Ethnic (BAME) apprentices by 20%; and
- Triple the number of apprenticeships in the food, farming and agri-tech sector by 2020.

1.3 The Department is looking at ways to measure appropriately and report on a broader range of success measures as part of the benefits strategy. The benefits strategy will set out national success measures, with the potential to develop local measures related to employer demand, as appropriate, as the programme matures.

2: Committee of Public Accounts conclusion

The development of new apprenticeship standards is taking longer than expected and some may not meet the needs of certain sectors and employers.

Recommendation:

The Department should streamline the process for devising, implementing and reviewing standards. The Committee expects the Department to report back within the year on progress against its target of having all apprenticeship starts covered by the new standards by 2020.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: November 2017.

2.2 Over the past 18 months, considerable progress has been made to speed up the development of standards and assessment plans. The Department has introduced a monthly approvals process, recruited five additional trailblazer relationship managers and, since May 2015, has seen a 30% increase in the number of standards approved. The Department recognises that further improvements can be made and these will be implemented once these processes are managed by the Institute for Apprenticeships in April 2017. Initial improvements from April will include the introduction of employer-led route panels and a more sectoral focus to the support for trailblazers groups developing standards and assessment plans. The Department anticipates that these changes will drive up the number of standards approved first time.

2.3 The Department will respond within a year on progress towards having all starts on standards by 2020. This will depend both on the speed with which standards are introduced and frameworks are withdrawn. The Department has not specified the number of standards needed as this will be entirely dependent on the number of standards employers bid to develop that meet the quality criteria. Currently, just under 500 standards are developed or under development. This is in comparison to 718 pathways that existed under the previous framework model, of which 129 have now been withdrawn.

3: Committee of Public Accounts conclusion

It is not clear how the Institute for Apprenticeships (IA) will operate and whether it will have the capacity and capability to fulfil its functions.

Recommendation:

The Department must clarify the intended role of the IA as quickly as possible, alongside that of existing oversight bodies. This should include setting out who is responsible for the success of the programme, who has the power to intervene when value is not being delivered, and who takes the lead if the programme is not working as planned.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: July 2017.

3.2 On 4 January 2017, the Department published a draft of the Government's strategic guidance for the Institute, which set out its role in more detail and the Department's expectations of how it will fulfil the functions set out in the Enterprise Act 2016. This will shortly be followed by a draft operational plan, which will explain how the shadow Institute intends to deliver its remit and how it will deploy its increased resources.

3.3 The Department is also preparing an accountability statement that will clarify the roles of the different bodies with responsibilities relating to aspects of apprenticeship quality, including Ofsted, Ofqual, the Skills Funding Agency, the Higher Education Funding Council for England, the Quality Assurance Agency and, in future, the Office for Students. The bodies have distinct roles and responsibilities, but will need to work well together. The accountability statement will be developed with input from all these bodies. This will make it clear that the Department for Education has overall accountability for the apprenticeships programme. The Institute will support this by referring any concerns about quality to the Department's Skills Funding Agency for appropriate investigation and intervention. Ofsted will investigate, provide support and monitor providers who have triggered concern.

3.4 While the Institute does not have an explicit statutory role that gives it precedence over any of these partner organisations, the Department would expect it to assume a leadership role in the context of the longer-term strategic work to improve the quality of apprenticeships and to play a convening role to ensure consistency of approach and objectives.

4: Committee of Public Accounts conclusion

There are risks associated with the new method of funding apprenticeships by means of a levy on large employers.

Recommendation:

The Department, working with the various oversight bodies, needs to systematically identify the full range of risks associated with potential abuse of the system and ensure that they are addressed from the start. It should be clear who is responsible for managing the risks, detecting problems as they arise, and taking action quickly should concerns emerge.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2017.

4.2 The Department, working with the Skills Funding Agency, is developing processes to prevent and detect possible risks associated with potential abuse of the apprenticeship funding service. This work includes bringing together groups of practitioners within the civil service, employers and training providers to review the service alongside the rules and contractual requirements to identify risks, their likelihood and impact. Each stage of our compliance approach has been subject to scrutiny by these experts who have been able to offer constructive feedback as well as insights from their own experience. We are also using data from partners such as HM Revenue and Customs and the Student Loans Company to help identify non-compliance within the system. There is a single senior officer, the Agency's Director of Funding and Programmes, overseeing all aspects of implementation of the new funding service including workstreams relating to tackling potential abuse of the system.

4.3 The Agency is systematically reviewing risks to determine which can be prevented through design and which will rely on detection and other actions. This, as well as identification of emerging risks and ensuring effective mitigation, will be governed through a dedicated group. This includes representation from the Department's funding policy team and all those with a role in the identification and management of risks across the Agency. The group will carry out an ongoing updating of risks and the Agency will take appropriate actions with employers and providers where breach of the funding rules is detected.

4.4 Once the levy and funding policy commences in April 2017, the Department and the Agency will continue to monitor emerging data and behaviours to detect any signs of abuse within the system, and where necessary will make recommendations to Ministers on necessary adjustments to the funding policy and supporting detailed rules.

5: Committee of Public Accounts conclusion

The Department has not done enough to engage with Small and Medium sized Enterprises (SMEs).

Recommendation:

The Department should engage more actively with SMEs to improve awareness of the value that apprenticeships can bring them, and to identify and address the factors that may deter engagement. The Department needs to ensure that SMEs are able to play an active role in the development of new standards.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2017.

5.2 Small and Medium Size Enterprises (SMEs) seeking to offer apprenticeships are supported through the National Apprenticeship Service (NAS) Business Support Team. The service supports the employer and apprentice up to recruitment, and then the appointed training provider supports both the employer and apprentice through to completion of the apprenticeship.

5.3 From January to March 2017, the NAS is planning a proactive awareness campaign which will target SMEs through radio, digital search and telemarketing activity to 70,000 previously unengaged SMEs. This will be part of the *Get In Go Far* campaign that will be repeated periodically in response to demand. Also in February and March 2017, the business support team will contact existing SME apprentice employers to explain the apprenticeship reforms, emphasise the value and benefits, and encourage and maintain participation. From April 2017, the NAS will maintain regular customer support for all employers that have either offered apprenticeships or expressed an interest.

5.4 The NAS is working with intermediaries such as trade associations to utilise their trusted relationships with SMEs. Information, training and resources are provided to establish intermediaries as authorities on apprenticeships with members. Ten intermediaries are planning to run awareness and recruitment campaigns between March and December 2017. Local Enterprise Partnerships have received 'teach ins' and resources about apprenticeships to enable them to support local growth through their growth hubs and business support services.

5.5 New standards developed must include at least two small employers within the development group. Through intermediaries, the development of new standards is being encouraged with an emphasis on engaging smaller employers.

6: Committee of Public Accounts conclusion

The value of apprenticeships, in terms of improved earnings and career progression, is not sufficiently clear to prospective apprentices and their parents.

Recommendation:

The Department needs to make better use of the data it has to communicate the value of apprenticeships to potential apprentices, schools and careers services.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: June 2017.

6.2 The Department's current strategy to communicate the value of apprenticeships to potential apprentices and to employers has included the use of evidence-based information, real-life stories of apprentices and employer case studies demonstrating a proven track record of benefits for both employers and apprentices.

6.3 The Department is reviewing the wide-reaching *Get In Go Far* campaign to align employer and youth strands and maximise impact by emphasising the value of apprenticeships to employers and apprentices. It is pro-actively looking into using data in its messaging for the next wave.

6.4 The Department will consider how data can be further incorporated into messaging and support for careers advisors and schools, highlighting to National Careers Service and Jobcentre Plus advisors, and in resources available to the Apprenticeship Support and Knowledge for Schools project and the Amazing Apprenticeship portal for schools, positive outcomes such as wage returns and progression outcomes.

6.5 The Government has also published data on the wage returns to apprenticeships in different subjects. On average, the wage returns to a Level 2 and 3 apprenticeships are 11% and 16% respectively, although this varies by subject. For example, Level 3 apprenticeships in transport, engineering and construction deliver average returns of 25%, 26% and 32% respectively. The Government has also published experimental estimates of how much learners earned for up to four years after their apprenticeship. On average learners earned £17,300 four years after a Level 2 apprenticeship and £20,300 four years after a Level 3 apprenticeship. Earnings also varied by subject, with highest earnings one year after a Level 3 apprenticeship in warehousing and distribution (£27,600) and engineering (£27,000).

List of Treasury Minutes 2015 20³

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

Session 2016-17

Committee Recommendations: 172⁴
 Recommendations agreed: 156 (91%)
 Recommendations disagreed: 16 (9%)

Publication Date	PAC Reports	Ref Number
November 2016	Government responses to PAC reports 1 to 13	Cm 9351
December 2016	Government responses to PAC reports 14 to 21	Cm 9389
February 2017	Government responses to PAC reports 22-25 and 28	Cm 9413
March 2017	Government responses to PAC reports 26-27 and 29-34	
March 2017	Government responses to PAC reports 35-38	

Session 2015-16

Committee Recommendations: 262
 Recommendations agreed: 225 (86%)
 Recommendations disagreed: 37 (14%)

Publication Date	PAC Reports	Ref Number
December 2015	Government responses to PAC reports 1 to 3	Cm 9170
January 2016	Government responses to PAC reports 4 to 8	Cm 9190
March 2016	Government responses to PAC reports 9 to 14	Cm 9220
March 2016	Government responses to PAC reports 15-20	Cm 9237
April 2016	Government responses to PAC reports 21-26	Cm 9260
May 2016	Government responses to PAC reports 27-33	Cm 9270
July 2016	Government responses to PAC reports 34-36; 38; and 40-42	Cm 9323
November 2016	Government responses to PAC reports 37 and 39	Cm 9351
December 2016	Government response to PAC report 39 (part 2)	Cm 9389

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

⁴ Recommendations up to February 2017

List of Treasury Minutes: Progress Reports

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

Publication Date	PAC Reports	Ref Number
January 2012	Session 2010-12: updates on 13 PAC reports	Cm 8271
July 2012	Session 2010-12: updates on 28 PAC reports	Cm 8387
February 2013	Session 2010-12: updates on 31 PAC reports	Cm 8539
July 2014	Session 2010-12: updates on 60 PAC reports Session 2012-13: updates on 37 PAC reports	Cm 8899
March 2015	Session 2010-12: updates on 26 PAC reports Session 2012-13: updates on 17 PAC reports Session 2013-14: updates on 43 PAC reports	Cm 9034
February 2016	Session 2010-12: updates on 8 PAC reports Session 2012-13: updates on 7 PAC reports Session 2013-14: updates on 22 PAC reports Session 2014-15: updates on 27 PAC reports	Cm 9202
July 2016	Session 2010-12: updates on 6 PAC reports Session 2012-13: updates on 2 PAC reports Session 2013-14: updates on 15 PAC reports Session 2014-15: updates on 22 PAC reports Session 2015-16: updates on 6 PAC reports	Cm 9320
January 2017	Session 2010-12: updates on 1 PAC report Session 2013-14: updates on 5 PAC reports Session 2014-15: updates on 7 PAC reports Session 2015-16: updates on 18 PAC reports	Cm 9407

ISBN 978-1-4741-4061-4



9 781474 140614