



HM Treasury

# Treasury Minutes

**Government responses on the Twenty Fifth to the Twenty Ninth, the Thirty First to the Thirty Second, the Thirty Fourth, the Thirty Sixth, and the Thirty Eighth to the Fortieth reports from the Committee of Public Accounts: Session 2014-15**

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# Treasury Minutes

## Government responses on the Twenty Fifth to the Twenty Ninth, the Thirty First to the Thirty Second, the Thirty Fourth, the Thirty Sixth, and the Thirty Eighth to the Fortieth reports from the Committee of Public Accounts: Session 2014-15

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

TREASURY MINUTES DATED 19 MARCH 2015 ON THE TWENTY FIFTH TO THE TWENTY NINTH, THE THIRTY FIRST TO THE THIRTY SECOND, THE THIRTY FOURTH, THE THIRTY SIXTH, AND THE THIRTY EIGHTH TO THE FORTIETH REPORTS FROM THE COMMITTEE OF PUBLIC ACCOUNTS: SESSION 2014-15

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## Twenty Fifth Report of Session 2014-15

Department of Health / NHS England

### Funding healthcare: making allocations to local areas

#### 1: Committee of Public Accounts conclusion

*In 2014-15, the department and NHS England allocated a total of £79 billion to local commissioners of healthcare, equivalent to £1,400 per person. Following the reforms to the health system in 2013, there are three separate funding allocations. In 2014-15, NHS England allocated £64.3 billion to 211 clinical commissioning groups for hospital, community and mental health services and £12.0 billion to its 25 area teams for primary care; and the department allocated £2.8 billion to 152 local authorities for public health services.*

*The amount of funding that individual commissioners are allocated is calculated using 'funding formulae' that apportion the total funds available. In calculating target funding allocations, the department and NHS England aim to give those local areas with greater healthcare needs a larger share of the available funding. In deciding actual funding allocations, the department and NHS England consider that they should only move local commissioners gradually from their current funding levels towards their fair shares, to ensure that local health economies are not destabilised.*

1.1 On the basis of a report by the NAO, the Committee took evidence, on 20 October 2014, from the Department of Health and NHS England on the way they allocate health funding to local commissioners. The Committee published its report on 9 January 2015. This is the Government response to the Committee's report.

#### Background resources

- NAO report: *Funding healthcare: making allocations to local areas* - Session 2014-15 (HC 625)
- PAC report: *Funding healthcare: making allocations to local areas* - Session 2014-15 (HC 676)

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

*The slow progress towards target funding allocations means the Government has not fulfilled its policy objective of equal access for equal need.*

#### Recommendation:

*NHS England should confirm its commitment to move clinical commissioning groups to within 5 percentage points of their target allocations and set out a precise timetable. NHS England should also better understand the correlation between funding allocations and poor performance among clinical commissioning groups.*

2.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2017.

2.2 The Autumn Statement announced an additional £1.98 billion of funding for frontline healthcare - £1.1 billion went to clinical commissioning groups (CCGs), of which about 90% was focussed on areas below their target allocation. This has allowed NHS England to reduce the number of CCGs who will be more than 5% below target in 2015-16 by half from 34 to 17. NHS England aims to ensure that no CCG is more than 5% below target from the beginning of 2017-18, but this will be dependent on the resources made available to the NHS as a result of the spending review.

2.3 NHS England continues to work to analyse the link between underfunding against the target formula and poor performance (both financial and operational) amongst CCGs. There is a clear correlation in financial performance, where at month 9, 15 of the 18 CCGs forecasting cumulative deficits by the end of 2014-15 are relatively underfunded. There is no evidence of a link between distance from target allocation and local health outcomes.

**Recommendation:**

*The Department should develop an evidence base to inform government decisions on how quickly public health allocations to local authorities should move towards their target allocations.*

2.4 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2016.

2.5 The department has always recognised that progress towards target shares of the overall public health grant will take time. The rate of pace of change will depend on total resources available and how Ministers prioritise future spending. The department is asking the independent Advisory Committee on Resource Allocation (ACRA) to look into the best method of developing an evidence base, with the aim of improving the approach for April 2016. The Government's decision will take account of ACRA's recommendations and advice from Public Health England.

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

*Decisions about funding for the different elements of healthcare and social care have been made without fully considering the combined effect on local areas.*

**Recommendations:**

*The department and NHS England, working with the Department for Communities and Local Government, should carry out work to understand the interaction between the funding of healthcare and social care, and use this information to inform funding decisions.*

3.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** Autumn 2015.

3.2 Spending on social care is ultimately a local decision made by individual councils. Over the past few years councils have had to make difficult decisions when setting their budgets, including for adult social care, while the NHS has also faced significant financial challenges. As such, it is important to better understand whether, and if so how, funding decisions for social care are impacting the NHS and vice versa.

3.3 The department is working with NHS England and the Department for Communities and Local Government to better understand the interaction between health and social care funding, for example in learning from the Better Care Fund and the integration pioneers and to understand the impact of reductions in social care funding on the social care system, service users and the NHS. This work will help inform the next Spending Review.

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

*There is a lack of evidence to underpin the adjustment that is made for health inequalities.*

**Recommendation:**

*The department and NHS England should improve the evidence base for the health inequalities adjustment, including collecting evidence on whether their approach is fair and cost-effective and properly meets the objective of reducing health inequalities.*

4.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2016.

4.2 NHS England has asked ACRA to continue to look at this area in preparation for future allocations. NHS England's aim is to improve the approach for April 2016 and continue to explore and develop options to improve the evidence base.

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

*The proportion of total funding devoted to primary care has fallen, even though primary care is an important way of tackling health inequalities.*

**Recommendation:**

*The Department and NHS England should set out the rationale for decisions about how funding is split between different funding streams, including assessing the implications of any changes in the distribution of funding.*

5.1 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

5.2 The role of the department is to allocate overall funding between the different organisations in the health and care system. This is a judgement made by Secretary of State, informed by analysis that includes:

- expected cost pressures on different parts of the system;
- policy commitments (for example: the Prime Minister's challenge fund in the case of primary care); and
- the scope for efficiency savings.

5.3 For 2015-16, the key rationale for decisions on funding to NHS England has been to provide sufficient funding for NHS England to deliver the first year of the Five Year Forward View. NHS England's budget is published as part of its mandate. It is then NHS England that decides the proportion of its total funding that goes to primary care in response to this mandate. NHS England is committed to transparency. In December 2014, the NHS England Board approved the 2015-16 allocations. The paper setting out the rationale for these decisions is available on NHS England's website.<sup>1</sup>

5.4 In December 2013, the NHS England Board agreed a new, more granular approach to take health inequalities into account in primary care and CCG allocations based on the Standardised Mortality Rate for under-75s.<sup>2</sup>

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

*The primary care funding formula was developed with limited input from the advisory body and remains an interim approach.*

**Recommendation:**

*NHS England should improve the primary care funding formula in time for the next round of funding allocations for 2016-17, with early input from the Advisory Committee on Resource Allocation.*

6.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2016.

6.2 NHS England is asking ACRA to continue to explore options to improve the primary care funding formula and to make recommendations for improvement to inform allocations for future years.

<sup>1</sup> <http://www.england.nhs.uk/wp-content/uploads/2014/12/item5-board-1214-fin.pdf>

<sup>2</sup> <http://www.england.nhs.uk/wp-content/uploads/2013/12/bm-item7.pdf>

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

*The target funding allocations may be unreliable in some areas due to shortcomings in the GP list data which are used to estimate population size.*

**Recommendation:**

*NHS England should take immediate action to ensure that all area teams are complying with its guidance on GP list validation, at the same as taking forward its longer-term plans to gain greater assurance over the data.*

7.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2015.

7.2 NHS England instructed local teams to assess what GP list validation activity had been undertaken to date and, where little or no action had taken place since April 2014, to work with Primary Care Support colleagues and GP practices to commence work on validating lists in line with national policy to ensure GP lists are as accurate as they can be.

7.3 Teams were asked to submit list validation plans to NHS England by February 2015 to provide assurance nationally that this work was taking place and to ensure plans were in line with the national policy. The list validation exercise is expected to be completed by April 2015 and outcomes will be monitored centrally.

7.4 NHS England is currently procuring a new supplier to provide Primary Care Support services and plan to award a contract in the spring of this year. The service specification requires strict adherence to the national policy for GP list validation, requiring Primary Care Support services to implement list validation exercises at the specified time intervals to avoid inflation of patient lists.

# Twenty Sixth Report of Session 2014-15

## HM Treasury

### Whole of Government Accounts 2012-13

#### Summary from the Committee

The Treasury published the audited 2012-13 WGA in June 2014. It is the most comprehensive picture of the government's finances currently available, combining the financial activities of some 3,800 organisations across the public sector. The WGA reports net expenditure (total expenditure less income) for the year of some £179 billion compared to £185 billion the previous year. Net liabilities (the difference between the government's assets and liabilities) have risen from £1.3 trillion to £1.6 trillion by 31 March 2013.

The Committee took evidence, on 22 October 2014, from the Treasury on the Whole of Government Accounts 2012-13. The Committee published its report on 7 January 2015. This is the Government response to the Committee's report.

#### Background resources

- NAO report: *Whole of Government Accounts 2012-13* - Session 2014-15 (HC 93)
- PAC report: *Whole of Government Accounts 2012-13* - Session 2014-15 (HC 678)

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

*Parliament lacks visibility over the impact of the Government's fiscal consolidation measures.*

##### Recommendation:

*The WGA is a key means by which Parliament holds the Government to account for its management of public finances, including its progress in delivering fiscal consolidation measures. The Performance Report part of the WGA is now the most appropriate place to set out the impact of the government's fiscal consolidation measures on Government finances so that trends in performance can be assessed.*

1.1 The Government disagrees with the Committee's recommendation.

1.2 The primary means by which the Government is accountable for progress on fiscal consolidation is through established processes as set out in the Budget Responsibility and National Audit Act 2011 and the Charter for Budget Responsibility. These include the Budget, the Autumn Statement, as well as publications from the Office of Budget Responsibility including the Economic and fiscal outlook and the Fiscal sustainability report. The analysis in WGA needs to be seen alongside information already published by the Treasury and the Office of Budget Responsibility in support of these processes.

1.3 The Treasury does comment on progress with fiscal consolidation in the WGA performance report to put the reported data in context with the Governments' wider spending strategy. This narrative has been enhanced for the 2013-14 WGA. The Treasury will continue to develop the disclosures in WGA to improve its usefulness.

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

*The Government has made progress in reducing the deficit but the challenges in meeting current and future targets for eliminating the deficit look very challenging.*

##### Recommendation:

*The Treasury should use the WGA to set out the risks and uncertainties it faces in meeting fiscal consolidation and how these are being managed.*



2.1 The Government disagrees with the Committee's recommendation.

2.2 The primary source of this information is through established processes as set out in the Budget Responsibility and National Audit Act 2011 and the Charter for Budget Responsibility. The data in WGA complements the analysis in the budget and autumn statement and it needs to be viewed alongside other information published by the Treasury, Office of Budget Responsibility and Office of National Statistics. The WGA provides an insight into the progress the Government is making in reducing the deficit, but is not the only publication for reporting progress against fiscal consolidation targets.

2.3 The Office of Budget Responsibility (OBR) in particular produce risk analysis as part of its bi-annual Economic and Fiscal Outlook publication. The annual independent Fiscal Sustainability Report, published by the OBR, looks at the fiscal impact of past public sector activity, as reflected in the assets and liabilities accumulated on its balance sheet. It also evaluates the potential impact on public sector net debt of future public sector activity, by projecting the evolution of revenue and spending for the next 50 years. The Treasury will continue to look at how the performance report in the WGA can be improved to provide helpful information to aid public understanding.

**Recommendation:**

***The WGA should also set out how Spending Teams have used WGA information to influence the next spending round and beyond.***

2.4 The Government agrees with the Committee's recommendation.

**Target implementation date:** March 2016.

2.5 The Treasury already uses WGA information to challenge departmental spending and assess the impact of policy decisions on the long-term public finances. The Treasury is increasingly using WGA data as a means of identifying fiscal risks, such as contingent liabilities, and analysing key areas of spending to inform spending review planning. The PF2 control total will be implemented in 2014-15 with WGA the reporting framework to assess progress. WGA information is also being used to analyse the governments fixed assets to help deliver better value for money through the next spending review.

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

***The Treasury does not currently assess the level of fraud and error across the whole of Government.***

**Recommendations:**

***The Treasury should collect information across the whole of Government so that it can disclose the totality of monies lost through fraud and error.***

3.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** March 2016.

3.2 The Treasury are looking to enhance the data collection for WGA to cover more detailed estimates of fraud and error so a cross-government assessment can be made. This is very challenging due to the intrinsic nature of fraud and error and the difficulty in identifying and estimating the levels of fraud. This exercise will be co-ordinated with the Taskforce, who are already working with departments to improve the prevention, identification and reporting of fraud and error. In the interim the WGA will continue to comment on fraud and error losses in the annual performance report and the Treasury will continue to look at how these disclosures can be improved.

**Recommendation:**

***The Treasury should develop a consistent and coherent policy across Government for tackling fraud and error with a view to reducing the losses concerned.***

3.3 The Government agrees with the Committee's recommendation

**Target implementation date:** March 2016.

3.4 The Government continues to work closely with departments, especially HM Revenue and Customs (HMRC), and the Department for Work and Pensions (DWP), to identify opportunities to reduce fraud and error and improve debt management across all departments. The Treasury and Cabinet Office have established the Fraud, Error and Debt Taskforce, which focusses on greater collaboration and consistency to help reduce losses over the longer term and is working with government departments to put in place strategies for managing fraud, error and debt. In addition, the Debt Market Integrator Project is devising a cross government debt collection system, to provide wider and deeper access to debt collection, analytics and enforcement services for Government.

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

*The WGA does not provide Parliament with information on national or regional spending.*

**Recommendation:**

*The Treasury should develop and implement an action plan and timetable for the future disclosure of expenditure on a national and regional basis.*

4.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** March 2017.

4.2 The Government already publishes national and regional splits of expenditure data as part of the Public Expenditure Statistical Analysis annual publication.

4.3 The Treasury shares the Committees view regarding the inclusion of regional spending analysis in the Whole of Government Accounts. The Treasury is currently working through the data collection and analysis implications and will provide an update on the feasibility of including regional level data in the 2015-16 WGA accounts.

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

*The Treasury has not demonstrated sufficient oversight in ensuring that all parts of the public sector comply with the government's expectations on pay restraint.*

**Recommendations:**

*The Treasury should set clear expectations of appropriate senior level pay, and pay restraint more generally, for all publically funded bodies to apply.*

5.1 The Government disagrees with the Committee's recommendation.

5.2 The Treasury already sets clear expectations on senior pay. From 2010 the approval of the Chief Secretary to the Treasury has been required for any new or renewed salaries over £142,500 and for any bonuses over £50,000. From April 2013, the threshold for bonus approvals was lowered to £17,500.

5.3 The Senior Salaries Review Body (SSRB) recommends annual pay awards for senior pay for the Senior Civil Service, the judiciary, very senior NHS managers, senior members of the armed forces, police and crime commissioners, and from 2015 for senior police officers. Senior staff under the SSRB had their pay frozen in 2011-12 and 2012-13, their pay subject to an increase of 1% in 2013-14 and 2014-15 and up to 1% in 2015-16. Very senior NHS managers received no pay increase in 2014-15 and their pay in 2015-16 is being frozen again.

5.4 Pay restraint applies to the Pay Review Body workforces and the Civil Service. The Government does not control pay awards within Local Government, Public Corporations and the Devolved Authorities or in private sector bodies that receive Government funding.

**Recommendation:**

***The Treasury should publish a clear picture of pay trends across the whole public sector within the WGA.***

5.5 The Government agrees with the Committee's recommendation.

**Target implementation date:** March 2016.

5.6 The Treasury will review the content of the WGA remuneration report to expand the coverage to all entities consolidated within the accounts. Pay trends are published by the Office for National Statistics (ONS) as part of their annual data collection exercise for the civil service, local government, the broader public sector and the private sector. The Treasury will use existing information to publish pay trends supported by data captured through the annual WGA exercise.

**Recommendation:**

***The Treasury should enhance accountability for the decisions made by public bodies by expanding the scope of the WGA Remuneration Report to include senior banded salary details for other WGA sectors as well as those for the civil service.***

5.7 The Government agrees with the Committee's recommendation.

**Target implementation date:** March 2016.

5.8 The Treasury will develop the WGA remuneration report to include senior salary analysis where the information is available.

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

***Off payroll arrangements across central Government still occur too often and have yet to be tackled throughout the wider public sector.***

**Recommendations:**

***The Treasury should continue to work with the Local Government Association to set clear expectations on the use of such arrangements across the local authority sector.***

6.1 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

6.2 The Government has made clear that public have a right to expect that their interests are being protected when senior appointments are made, particularly where arrangements could be perceived as seeking to minimise tax payments by individuals. Local authorities are independent authorities led by elected members with a direct mandate from local taxpayers and make appointments in light of their local circumstances. The Secretary of State for Communities and Local Government has taken action to set out the Government's expectations, including writing twice to the Local Government Association to ask them to consider how they can encourage the sector to follow the principles on the issue set out in *Managing Public Money*. This included specific reference to the off-payroll rules.

**Recommendation:**

***The Treasury should develop appropriate frameworks for disclosing off-payroll arrangements within the local government and public corporations.***

6.3 The Government disagrees with the Committee's recommendation.

6.4 Guidance issued by the Secretary of State for Communities and Local Government states that local authorities should actively review the terms of remuneration for senior appointments in their workforces. Particularly where arrangements exist which could be perceived as seeking to minimise

tax payments, and asking elected councillors to approve a local policy on the use of such arrangements. Requirements under the Localism Act and Transparency Code mean that payments made to senior staff via consultancies should already be fully open to public scrutiny.

6.5 The Government does not control pay in public corporations. However, the Secretary of State for Culture, Media and Sport has written to the BBC highlighting the guidance and asking that the BBC ensures that its contractors pay appropriate amounts of tax.

**Recommendation:**

***The Treasury should In light of applying the existing guidance over the past two years within central Government, consider lessons learnt and where this guidance can be strengthened so that all departments are consistent in their application of the guidance.***

6.6 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

6.7 The Treasury issued the original guidance on tax arrangements for off-payroll appointees, and departments also have access to advice directly from HMRC. The Treasury has been reviewing performance and are content with implementation so far. The Treasury will continue to monitor progress, request feedback and take action with individual departments where necessary.

# Twenty Seventh Report of Session 2014-15

## Department for Work and Pensions

### Housing Benefit Fraud and Error

#### 1: Committee of Public Accounts conclusion

*Housing Benefit is a means-tested benefit to help people on low incomes pay rent. The department and local authorities are responsible for managing Housing Benefit. The department sets policy, entitlement rules and shares data and guidance with local authorities. Local authorities have a statutory duty to undertake the day to day administration of Housing Benefit and pay claimants.*

*The department ultimately bears the financial cost as it reimburses local authorities for payments and provides funding towards the cost of administering claims. In 2013–14 £23.9 billion was spent on Housing Benefit, 15% of the department's total benefit spending. The department estimates that £1.4 billion was overpaid in 2013–14. Claimant error (£900 million) was the cause of two-thirds of overpayments, due mainly to unreported fluctuations in claimants' earnings. £340 million of overpayments were due to fraud and £150 million of overpayments were due to delay, inaction or mistaken assessment by local authority officials.*

1.1 On the basis of a report by the NAO, the Committee took evidence, on 29 October 2014, from the Department for Work and Pensions, Islington Council and East Kent Services. The Committee published its report on 15 December 2014. This is the Government response to the Committee's report.

#### Background resources

- NAO report: *Housing Benefit Fraud and Error* – Session 2014-15 (HC 720)
- PAC report: *Housing Benefit Fraud and Error* - Session 2014-15 (HC 706)

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

*The department has failed to tackle problems with Housing Benefit fraud and error quickly or convincingly.*

#### Recommendation:

*The department should review how it allocates money and resources to tackling Housing Benefit fraud and error. For each of the main sources of fraud and error, it should set out how, and by how much, its fraud and error initiatives aim to reduce Housing Benefit overpayments.*

2.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** Summer 2015.

2.2 The department has a thorough understanding of the causes of fraud and error in Housing Benefit and the reduction of loss is a high priority. Housing Benefit will be replaced by the housing element of Universal Credit, a simple single benefit which replaces six complicated benefits. There are several existing initiatives specifically to reduce Housing Benefit overpayments:

- Real Time Information was introduced in 2014 to tackle fraud and error due to earnings, the highest area of loss;
- an automated system to notify local authorities of changes identified by the department and HM Revenue and Customs that may affect Housing Benefit entitlement was fully rolled out in 2012; and

- the Fraud and Error Reduction Incentive Scheme was launched in 2014 and offers a financial reward to local authorities that find reductions to Housing Benefit entitlement as a result of claimant error or fraud.

2.3 The department will be publishing the next iteration of its strategic approach to tackling Housing Benefit fraud and error this year. It will include an Activity Plan with future measures setting out which of the main sources of fraud and error each initiative is designed to tackle, how it will do this, and the anticipated savings for each.

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

*The department is not doing anything to specifically target underpayments or the take up of Housing Benefit, despite their importance to those most in need.*

**Recommendation:**

*The department must report back to the Committee within 6 months of this report on what measures it has introduced specifically to target underpayments and encourage legitimate take-up.*

3.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** Summer 2015.

3.2 To support Local Authorities' responsibilities to publicise Housing Benefit, the department makes information available in many locations, including doctors' surgeries, welfare rights premises and Jobcentre Plus offices. This helps ensure that people are aware of their entitlement to benefits and how to claim. Additionally, the department makes information available on its website. General benefits advice is available from the Jobcentre Plus information line (0800 055 6688).

3.3 The department utilises data on claimants to ensure Housing Benefit claims are accurate, sharing information with Local Authorities via the Automated Transfer to Local Authority Systems (ATLAS). This helps Local Authorities update their data and addresses over and underpayments. ATLAS files are sent daily.

3.4 The department also shares Real Time Information with Local Authorities, ensuring they have access to up to date data on claimant earnings and occupational pensions. Local Authorities are incentivised to pay correctly through the subsidy regime.

3.5 The department is currently undertaking a review of initiatives to target underpayments and will write separately to the Committee by summer 2015.

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

*The department has provided weak incentives for local authorities to tackle fraud and claimant error.*

**Recommendation:**

*The department should produce a proposal for how to strengthen incentives so that local authorities tackle Housing Benefit fraud and error more effectively. It should work with local authorities and gain approval from the Cabinet Office's Fraud Error and Debt Taskforce before sharing the proposal with us within 6 months.*

4.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** Summer 2015.

4.2 In November 2014, the Fraud and Error Reduction Incentive Scheme (FERIS) was launched. FERIS offers a financial reward to Local Authorities that find additional reductions to Housing Benefit entitlement due to fraud and error. It will impact throughout 2015-16. In addition, the department has launched a Performance Improvement Fund seeking innovative ideas from Local Authorities to reduce losses due to fraud and error. By 30 January 2015, 378 (99.7%) Local Authorities had opted into FERIS and by 2 March 2015, 330 bids for start-up funding had been received.

4.3 The department has commissioned a review of the subsidy regime, which will include changes required to strengthen incentives for Local Authorities to reduce fraud and error. This review will also look at changes required to improve the effectiveness of the subsidy regime. The department will involve Local Authorities, the Cabinet Office, the Treasury, the NAO, the Audit Commission, Audit Scotland and Audit Wales in the review and will seek approval from the Fraud, Error and Debt Steering Group, which replaced the Taskforce. This will ensure that proposals have appropriate support.

4.4 The department has issued an overpayment recovery good practice guide to help Local Authorities increase recoveries of Housing Benefit overpayments.

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

*Without a good understanding of local levels of fraud and error, the Department is not able to target efforts effectively.*

**Recommendation:**

*Within the next 6 months, the department must provide the Committee with a full analysis of options to identify whether there is a more cost-effective way of producing local estimates of the level of fraud and error, and how it plans to assess the relative performance of local authorities in reducing Housing Benefit overpayments.*

5.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** Summer 2015.

5.2 During the next six months, the department will provide its analysis of the possibilities of producing cost-effective local estimates of the level of Housing Benefit fraud and error. This will include exploring the options for undertaking further sampling of the caseload, as well as options for making greater use of the data sample already collected at a national level. The department will assess the pros and cons and value for money of these options before reporting back to the Committee.

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

*The department is expecting significant benefits from HMRC's real-time information, but is doing little else to tackle Housing Benefit fraud and error in the still unclear and very long transition before Universal Credit.*

**Recommendation:**

*The department must demonstrate it has a convincing response to tackle Housing Benefit fraud and error before Universal Credit is implemented and the use of real-time information is automated. It should report to the Committee within months with a clear plan to tackle the major sources of loss on Housing Benefit. It should also set out what savings it has achieved across benefits against its 1.7% target, and which initiatives have realised these savings.*

6.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** Summer 2015.

6.2 Real Time Information (RTI) has already been introduced in Housing Benefit to identify cases where benefit claimants have failed to declare or under declare earnings. Plans are underway to expand the use of RTI beyond the current bulk data match exercise to allow local authorities to have immediate access to RTI through digital web services with automated alerts when income from earnings and pensions changes. This will allow immediate verification of income at the new claim stage as well as through the life of the claim.

6.3 Final National Fraud and Error Estimates for 2014-15 will be available in November 2015, with preliminary estimates due in May 2015. This data will give an indication of progress against the 1.7% target.

6.4 The department's updated strategic approach to tackling Housing Benefit fraud and error for 2015-2018 will be published this year. It will build upon the existing work the department has put in place to address Housing Benefit fraud and error, and will provide a robust activity plan to demonstrate the department's response prior to the ramp-up of Universal Credit implementation.

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

*The department's introduction of the single fraud investigation service creates risks to other local services through reducing local knowledge.*

**Recommendation:**

*The department should provide a more complete assessment of the wider costs to local authorities of the SFIS programme, and consider how the benefits of local knowledge and data sharing can be maintained in the longer term.*

7.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** Autumn 2015.

7.2 The department has supported Local Authorities concerned about the loss of specialist fraud knowledge by paying £12.8 million over two years, covering the life of the SFIS business case until 2021-22. This was based on Local Government's own estimates on the impact and in England, the Department for Communities and Local Government has used the money to establish a Challenge Fund.

7.3 The department has used the New Burdens Assessment process to identify additional work created by the implementation of the SFIS project. This resulted in two payments in 2014-15; one reflecting the costs of transferring staff to the department and another, the on-going cost of providing Local Authority data. The department has commenced consultation on the New Burdens Assessment for 2015-16 and aims to pay this by summer 2015.

7.4 The staff transferring into the department will ensure local knowledge is retained and processes are in place to share data.

7.5 Following the SFIS announcement in 2013, the department led work to look at data sharing and joint investigations with Local Authorities corporate fraud teams, this has now moved into its feasibility stage and is supported by Department for Communities and Local Government and other Local Government Partners. This will also support the introduction of Universal Credit.



# Twenty Eighth Report of Session 2014-15

## Department for Transport

### Lessons from major rail infrastructure programmes

#### Summary from the Committee

Over the last 20 years the Department for Transport has overseen several large rail infrastructure programmes through which it aims to improve services to the public. We have reported on five such programmes over the last decade or so: the modernisation of the West Coast Mainline and the Channel Tunnel Rail Link (now known as High Speed 1), which are now complete; Crossrail and Thameslink which are under construction; and High Speed 2, which is being planned. The programmes are all expensive—costing between £3.6 billion for Thameslink and up to £50 billion for both phases of High Speed 2. They also take a long time to complete, with some taking nearly 30 years from planning to completion, and construction alone taking up to 10 years.

The Department has faced a number of issues during its sponsorship of these programmes, such as setting out a clear case for investment, planning effectively, and evaluating and realising programme benefits. The Department is currently looking at further rail infrastructure programmes, including possible routes linking cities in the north of England, currently referred to as High Speed 3, and Crossrail 2

On the basis of a report by the NAO, the Committee took evidence, on 10 November 2014, from the Department for Transport on lessons from major rail infrastructure programmes. The Committee published its report on 16 January 2015. This is the Government response to the Committee's report.

#### Background resources

- NAO report: *Lessons from major rail infrastructure programmes* – Session 2014-15 (HC 267)
- PAC report: *Lessons from major rail infrastructure programmes* – Session 2014-15 (HC 709)

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

*The department still lacks a clear strategic plan for the rail network, and it is unclear how the department makes decisions about which programmes to prioritise for investment.*

##### Recommendation:

*The department should set out a long term strategy covering the next 30 years for transport infrastructure in the UK, and use this strategy to inform decisions about investment priorities.*

1.1 The Government notes the Committee's recommendation. However, the department already has a long term strategy established.

1.2 *Investing in Britain's Future and Transport – an engine for growth*, published in 2013, set out the Government's long-term commitments to infrastructure investment. A number of strategic papers published by the department set out the plans and visions for transport beyond the next Parliament, such as the "*Strategic case for HS2*", "*Road Investment Strategy*", and the "*National policy statement for national networks*".

1.3 Exploring options for HS3 and east-west transport connectivity is a separate task to building HS2. The department agrees it needs to be properly integrated with HS2, with the rest of the railway and wider transport networks in the North.

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

*The Committee remains concerned about the department's ability to deliver on time and budget.*

##### Recommendation:

*The department should apply learning from its previous projects and from overseas to speed progress and improve value for money to all projects it sponsors, including High Speed 2.*

2.1 The Government agrees with the Committee's recommendation.

**Work in progress:** May 2015.

2.2 The department has made learning from other projects a priority and is improving its requirements to share lessons across its projects and at key stages. A Tripartite Analytical Group (comprising Network Rail, HS2 Ltd and the department) has been built into the governance process for the HS2 programme to focus on analysis and value for money. The Government has asked Sir David Higgins, Chair of HS2 Ltd, to conduct a review into the cost and time it takes to build high speed rail lines, drawing on international experience, and to report back in May 2015 on applying lessons learned.

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

*The Committee was sceptical about whether the department can deliver value for money for the taxpayer on High Speed 2.*

**Recommendation:**

*The department should set out how it will control use of contingency on High Speed 2 and other projects, to provide assurance that generous contingency funds will not be used to hide cost overruns.*

3.1 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

3.2 The department entered into a Development Agreement with HS2 Ltd in December 2014. Allocation of contingency is based on allocation of risks in compliance with the Agreement. Clear delegation arrangements are in place, including a process for managing drawdown, so that contingency is not prematurely eroded.

3.3 It is usual to start with high levels of contingency and for these to reduce and costs increase as projects develop. This is the pattern seen on existing projects such as Thameslink and Crossrail with contingency levels reduced as the scheme is developed / implemented.

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

*There is a risk that industry does not have the capacity to deliver all current and proposed programmes.*

**Recommendation:**

*The department should work with industry and with other departments responsible for major infrastructure programmes to understand gaps in industry capacity, and put in place plans to manage any gaps to ensure all programmes can be delivered on schedule and within budget.*

4.1 The Government agrees with the Committee's recommendation.

**Work in progress:** Late 2015.

4.2 The Department for Transport and the Department for Business have jointly established the Rail Supply Group to strengthen the UK rail supply chain, so it can effectively deliver projects here and abroad. The Group published its vision document *Fast Track for Growth* in January 2015 and intends to publish an industrial strategy late 2015.

4.3 Both departments are providing funding support for the National Training Academy for Rail in Northampton, which will specialise in traction and rolling stock. This facility, which is a collaboration between Siemens and the National Skills Academy for Railway Engineering, will open during 2015.

4.4 The new National College for High Speed Rail, opening Autumn 2017, will train people to take advantage of the huge range of high skilled, technical jobs created as a result of HS2. Over 5,000 people have already been trained at the Crossrail Tunnelling and Underground Construction Academy (TUCA).

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

*The department has a long way to go to prove it is being more active in realising benefits from major programmes.*

**Recommendation:**

*The department should set out who is responsible for ensuring that benefits are realised, and how that work will be coordinated.*

5.1 The Government agrees with the Committee's recommendation.

**Work in progress:** December 2015.

5.2 The department has started to plan for the evaluation of HS2, working with HS2 Ltd to develop a joint benefit management capability to identify and describe benefits (including how they will be measured) and the processes for how benefits will be realised, reported and evaluated. Benefit owners will be identified and governance arrangements developed to describe roles and responsibilities of owners and other stakeholders, their interests and how the different strands fit together.

## Twenty Ninth Report of Session 2014-15

Home Office / Ministry of Justice

### Managing and removing foreign national offenders

#### Summary from the Committee

The Government aims to remove as many foreign national offenders as quickly as possible to their home countries, to protect the public, to reduce costs and to free up spaces in prison. At the end of March 2014 there were 8,003 foreign national offenders in prison in England and Wales, and a further 4,247 living in the community pending removal action, having finished their sentence. The Home Office has overall responsibility for the removal of foreign national offenders, and works with the Ministry of Justice, the National Offender Management Service, the Foreign and Commonwealth Office and the police to expedite removal. The National Audit Office estimates that in 2013–14 the cost of managing and removing foreign national offenders was some £850 million, £100 million more than managing an equivalent number of British national prisoners.

On the basis of a report by the NAO, the Committee took evidence, on 5 November 2014, from the Home Office, the National Offender Management Service (NOMS), and the Metropolitan Police on the management and removal of foreign national offenders. The Committee also received written evidence from the Independent Chief Inspector of Borders and Immigration. The Committee published its report on 20 January 2015. This is the Government response to the Committee's report.

#### Background resources

- NAO report: *Home Office, Ministry of Justice and Foreign & Commonwealth Office, Managing and removing foreign national offenders* - Session 2014-15 (HC 441)
- PAC report: - *Managing and removing foreign national offenders* - Session 2014-15 (HC 708)

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

*There has been very little progress in removing foreign national offenders from the UK, despite firm commitments in 2006 to remove more and a substantial increase in resources to do so.*

#### Recommendation:

*The Home Office should set out how it will improve the management of foreign national offenders, the specific measures against which it expects to be held accountable, and the progress it expects to make against each measure in the future. The Committee expects to see significant progress in managing and removing foreign national offenders by the end of 2015.*

1.1 The Government accepts the Committee's recommendation.

**Target implementation date:** December 2015.

1.2 The Government is committed to increasing the number of foreign national offenders (FNOs) removed and the speed of removal. This is a task which requires the efforts of a number of Government departments. Removals have increased in each of the last two years to around 5,100 in 2013-14 despite a 28% increase in the volume of appeals lodged by FNOs. The Immigration Act has reformed the deportation process by reducing the number of rights of appeal available to FNOs from 17 to 4, and, where there is no risk of serious irreversible harm, allowing FNOs to be deported first with their appeal heard later. These changes will increase both the volume and speed of deportations.

1.3 Additionally, the Home Office, Ministry of Justice and the Foreign and Commonwealth Office are working closely together (with a Senior Responsible Officer in each department) to oversee work to improve the FNO deportation process, overcome re-documentation and return issues and drive implementation of Prisoner Transfer Agreements.

**2: Committee of Public Accounts conclusion:**  
*The Home Office still lacks the data it needs to manage foreign national offenders effectively.*

**Recommendation:**  
*The Home Office needs to fundamentally rethink what management information strategy it needs, including identifying the data it needs across all its immigration information systems. It must then act to implement the required changes without further delay.*

2.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** December 2017.

2.2 Some of the legacy IT systems used in the department were not designed to support the current generation of Management Information. The Home Office is investing in replacing these legacy ex-UK Border Agency systems and establishing common data standards.

2.3 The Home Office created an independent Performance and Risk Directorate in November 2013 to modernise and improve performance reporting. It is already providing clearer management information than has been available previously, and continues to improve the presentation of data. Development of Management Information relating to FNOs is at the forefront of this work.

2.4 The Home Office has developed a data strategy, reinforced by the appointment of the Home Office Chief Digital and Data Officer. Integral to the delivery of the data strategy is the introduction of common data standards to promote interoperability and enable better data matching and improved access to data across Home Office systems.

2.5 Whilst work has begun on the new digital and technology solutions being developed in line with Home Office strategies and standards, the department is in the early stages of the transformation process. Thus, improved data and systems will be delivered over the next 2-5 years as outlined in the department's roadmap to be consistently excellent by 2017 and consistently trusted by 2020.

**3: Committee of Public Accounts conclusion:**  
*Opportunities to prevent foreign nationals committing offences and going to prison are being missed.*

**Recommendation:**  
*The Home Office, working with the police, needs to make much better use of existing information from overseas and at home, to prevent more potential foreign national offenders from entering the UK, to ensure all arrested foreign nationals not entitled to remain in the country are removed, and to help other criminal justice bodies better manage foreign national offenders throughout the system.*

3.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2016.

3.2 The Government has ensured that more information from overseas is available to the UK's Criminal Justice System (CJS) than ever before, and continues to improve the links between the CJS and the immigration system. By the summer, 95% of UK arrests will automatically be checked against Home Office immigration fingerprint records. Police forces have an ambition to check all foreign nationals who are arrested against immigration and overseas conviction databases.

3.3 Since 2010, there has been a 700%+ increase in requests for overseas conviction data and the Government is committed to further increases. The Home Secretary recently impressed upon her EU counterparts at the Informal JHA Council in Riga the need to share criminal records data more proactively, thus preventing foreign criminals from entering the UK in the first place. Part of this work is to look at the proactive sharing of non-EU conviction data ensuring that all Member States are sighted on past offending history.

3.4 Border Force can, and does, refuse entry both to non-EEA (European Economic Area) nationals where they have a criminal conviction and EEA nationals on public policy grounds. The connection to Schengen Information System II, on 13 April 2015, will further improve the Government's ability to identify and stop wanted criminals at the border, before they can enter the UK and commit further crimes.

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

***Processing foreign national offender cases for removal takes too long and costs too much.***

**Recommendation:**

***The Home Office and the Ministry of Justice should undertake a full review of the end-to-end process for foreign national offender removal, focusing on where procedures can be streamlined and made more efficient.***

4.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2016.

4.2 The Government is committed to continuing to improve the efficiency with which FNOs are managed. NOMS, Ministry of Justice and the Home Office will, with the oversight of senior officials from each department, review where the end to end process can be made more efficient. This will build on the existing work, which involves regular close working between departments at both a senior strategic and day to day operational level to establish the reasons for any blockages in the system, and to identify and address the barriers to removal and to improve processes.

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

***Managing the removal of foreign national offenders in prison needs to be better coordinated.***

**Recommendation:**

***The Home Office and the National Offender Management Service should evaluate whether designated foreign national offender prisons result in more early removals, and if so extend their use. While this work is ongoing both organisations should make a renewed effort to ensure that within each designated prison, immigration officers and prison officers work together as if they are a single team.***

5.1 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

5.2 NOMS and the Home Office work closely together at both operational and policy making levels to ensure that foreign national offenders (FNOs) are effectively managed and that decisions to remove them are made in a timely manner enabling removal as early as possible in the Early Release Scheme (ERS) window. A greater percentage of FNOs are removed from FNO only prisons during the ERS period. This is as a result of a number of factors, including their suitability for early removal at the point of transfer. We will continue to share best practice from FNO only prisons to increase ERS removals elsewhere.

5.3 The allocation of FNOs who meet deportation criteria into FNO-only and other designated prisons spokes is facilitated by a Home Office member of staff embedded within NOMS. Immigration officers are embedded in key prisons and mobile immigration coverage is provided to all prisons holding sentenced FNOs.

5.4 Prison staff and Immigration officers have distinct roles, but already work together closely, including joint offices in Maidstone and at induction in Pentonville. There are a number of initiatives in place which encourage and improve joint working between prison and immigration staff including participating in joint training activities.

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

*Schemes designed to remove foreign national offenders from the UK have not delivered the required results.*

**Recommendation:**

*The Home Office needs to assess which schemes work best in removing foreign national offenders early and quickly. The department should revisit its current assumptions and expectations so that policy and resource decisions are evidence based, and reflect both political and practical issues.*

6.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2017.

6.2 The Home Office, the Ministry of Justice and NOMS work closely to manage the FNO population to maximise removals under early removal and prisoner transfer schemes. The eligibility criteria for the Facilitated Returns Scheme (FRS) have been tightened to balance both political and practical issues of providing incentives to FNOs to return home early.

6.3 The Home Office and Ministry of Justice will ensure that compulsory prisoner transfer schemes provide the maximum possible benefits once fully implemented. Consideration is given on a case by case basis to best scheme for removing an individual.

6.4 Early indications show the "deport first, appeal later" provisions of the Immigration Act, introduced in July 2014 are having a positive impact and have been used to remove over 500 foreign national offenders so far. These provisions reduce the need to offer schemes such as FRS going forward.

# Thirty First Report of Session 2014-15

## Department for Education

### 16- to 18-year old participation in education and training

#### Summary from the Committee

The Committee is pleased that more 16- to 18-year-olds continue in education, although note the UK still lies behind other OECD countries. Whether this is because of changes in legislation or more effective interventions is debatable. The Committee notes, however, that at the end of 2013, 148,000 out of the cohort of 2 million 16- to 18-year-olds in England were NEET (not in education, employment or training). Some within this NEET group have been reached by the Youth Contract, but notes this is expected to only support half the number it was originally predicted to assist, will end soon and the department has no plans to replace it.

Careers advice remains patchy across the country and local authorities do not know what large numbers of the young people in their areas are doing. This means these young people are difficult to target. In 2010 the department transferred responsibility for providing careers advice to schools, but did not give them additional resources to fund it. The department wants more employers to be involved in providing apprenticeships. The Committee welcomes this, but notes the department needs to ensure that smaller businesses can be helped to offer quality apprenticeships too.

The Committee was concerned that many local authorities do not help 16- to 18-year-olds with the costs of travelling to school or college, which can lead to some young people being disadvantaged. The department told the Committee, unlike academies and local authority maintained schools, sixth form and FE colleges are unable to reclaim because they are classified as private sector. This means that sixth form students attending FE and sixth form colleges are less generously funded.

On the basis of a report by NAO, the Committee took evidence, on 3 November 2014, from the Department for Education, and the Department for Business, Innovation and Skills about the participation of 16- to 18-year-olds in education and training. The Committee published its report on 22 January 2015. This is the Government response to the Committee's report.

#### Background resources

- NAO report: *16- to 18-year-old participation in education and training* – Session 2014-15 (HC 624)
- PAC report: *16- to 18-year-old participation in education and training* – Session 2014-15 (HC 707)

#### 1: Committee of Public Accounts conclusion

*The department is still learning how best to use its resources to prevent young people falling out of education, training or employment at 16.*

##### Recommendation:

*The department should evaluate the relative effectiveness of its individual initiatives and use the results to shape future decisions about how to engage hard-to-reach young people.*

1.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** December 2016.

1.2 Separating out the impacts of the many reforms being made at the same time is difficult. In general the department monitors data on trends and patterns in participation, attainment and destinations of learners. In addition, where the department can isolate specific impacts it has commissioned robust research. The department has already published independent evaluation reports on the 16 to 19 Bursary Fund, Youth Contract provision for 16- and 17- year olds, and Work Experience Placement Trials. These have already informed decisions on policy design and strategy.



1.3 The Department for Business, Innovation and Skills (BIS) has commissioned an evaluation of the traineeships programme while the Department for Work and Pensions (DWP) has commissioned studies on the pilots of support for 16- and 17- year olds through Jobcentre Plus and on the Innovation Fund. These evaluations are ongoing and several reports will be released during 2015. The target implementation date above reflects the expected final publication of the traineeships evaluation but the Department for Education will work with these other departments and Cabinet Office on improving its evidence base throughout the period.

1.4 Later in 2015, the department will set out an updated strategy for filling key evidence gaps on and evaluating reforms of post-16 education and training.

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

*The department and local authorities have more to do to identify over 100,000 young people who are off the radar. Too many young people simply disappear from all the relevant public systems.*

### **Recommendation:**

*The department should work urgently with local authorities to identify and disseminate good practice on the most effective ways to track young people's education and training activities.*

2.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2015.

2.2 Local authorities (LAs) are required to maintain a tracking system so they can identify young people who are not participating in education or training, or who are at risk of not doing so. In the majority of regions, LA officers already exchange ideas and practices, for example: through regional meetings which the department takes part in regularly. LAs say they are generally aware of good practice and the Local Government Association (LGA) has published a guide to support LAs in tracking young people, drawing on local practice.

2.3 The department will however continue to encourage networking and the exchange of good practice among LAs by supporting regional meetings and continue to publish data on progress made by each LA. The department will also further identify and share with LAs successful approaches to improving their data about young people; these approaches will be shared from April 2015 onwards.

2.4 Wider cross Government information sharing agreements would help LAs track young people's education and training activities. The department will therefore work to support LAs by strengthening data sharing arrangements; an arrangement has already been put in place with the DWP whereby information on 18-19-year-old benefits claimants is shared with LAs.

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

*The key intervention for the hardest-to-reach young people, the Youth Contract, is ending in 2016 and the department has no plans to replace it.*

### **Recommendation:**

*The department should establish how it will build on the positive impacts the Youth Contract has achieved and set out how young people will receive similar help in the future.*

3.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** October 2016.

3.2 The Youth Contract programme for 16 and 17 year olds, which began in September 2012, was subject to external evaluation during its first year with the evaluation published June 2014, sharing lessons learnt about aspects such as the use of a payment by results approach.

3.3 When the programme ends in March 2016, the department will undertake a further internal evaluation to establish its full impact. This information will then be available to inform existing and future Government programmes to support young people.

3.4 Local Authorities will retain their duty to encourage, enable or assist young people to participate. Young people will also continue to be able to access other support. European Social Fund provision can currently be used in local areas to support those not in education, employment or training (NEET) or at risk of being NEET; Jobcentre Plus support for 16 and 17 year olds NEET is currently being piloted in a number of local authority areas; and the Government has established the Youth Engagement Fund, which aims to improve educational achievement and employability, helping to prevent young people from becoming NEET.

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

*Longer and better quality apprenticeships are welcome, but it will also be important to guard against increasing barriers to young people and smaller firms participating.*

##### **Recommendation:**

*The Government needs to learn from the early pilots and trials of its new model for apprenticeships, particularly if they create new barriers that prevent the engagement of SMEs in the scheme. They will need to adjust their plans to have regard to this.*

4.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** September 2017.

4.2 The Government wants to ensure that the new standards designed by employers fully meet the needs of smaller employers. All Trailblazers must involve smaller businesses when developing new standards and consult smaller businesses to ensure the applicability of the new standards to all employers.

4.3 The Government is also trialling a new funding model with Trailblazers in the 2014-15 and 2015-16 academic years. Further detailed design work is needed before the Government can reach a final decision on any new funding mechanism. Any new funding model will make it as easy as possible for small businesses and will include the option for delegating functions to a third party. The exact implementation timetable will depend on the funding mechanism chosen, but the Government expects the earliest that a new model could be fully operational is 2016-17.

4.4 The Government has commissioned an external evaluation of the Trailblazer process and trial funding model – an interim report is due to be published in spring 2015. Findings will be used to adjust plans to ensure the success of future implementation.

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

*Many local authorities do not help 16- to 18-year-olds with the costs of travelling to school or college, which means some young people are disadvantaged.*

##### **Recommendation:**

*The department should examine the impact of variation in local authority transport policies on its objective to increase participation and should review whether and how to intervene where this is a significant barrier to participation.*

5.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** December 2015.

5.2 Most young people have access to some kind of discount or concession on local transport from their local authority, local transport provider, or school or college. The Government does however recognise that the cost of transport can be an issue for some young people and this is one of the reasons why it introduced the £180 million Bursary Fund to help young people with costs such as transport.

5.3 The statutory responsibility for transport to education and training for 16 to 19 year olds rests with local authorities. The department will review available information on variation of transport policies and trends in participation at local level to consider whether transport is a barrier in particular localities.

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

*Despite many different approaches over the years, most young people still do not receive the careers advice they need.*

### **Recommendation:**

*The department should articulate what actions it will take in future when a school's careers advice is shown to be poor. It also needs to find ways to encourage schools to work together to provide advice with more employer involvement.*

6.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** September 2016.

6.2 Ofsted's 2013 thematic review of careers provision showed that many schools need more support to fulfil their careers duty and prepare young people effectively for the workplace. This led to the establishment of a new independent careers and enterprise company, announced by the Secretary of State for Education on 10 December 2014 that will offer further support to schools by increasing the level of employer input into careers, inspiration and enterprise.

6.3 Ofsted has given greater priority to careers guidance in school inspections and has introduced a sub-judgement on the school sixth form that is influenced by the quality of careers advice and guidance that young people receive. In addition the department is including destination measures as headline measures in the secondary and 16-19 accountability frameworks from 2017. This means that schools with poor careers guidance provision would face criticism from Ofsted and questions from local stakeholders – including parents making a choice between schools – about whether young people were getting adequate support into successful destinations. The department knows that institutional accountability through performance tables and inspections does shape where schools focus their attention and the emphasis on careers and destination data reflects its importance to the Government and the general public.

## Thirty Second Report

### Department for Education

#### School oversight and intervention

#### Summary from the Committee

The Department for Education is accountable to Parliament for the overall performance of the school system in England. There are 21,500 state-funded schools, of which 17,000 are maintained schools overseen by local authorities, and 4,500 are academies directly accountable to the Secretary of State. The department's overall objective is for all children to have the opportunity to attend a school that Ofsted rates as 'good' or better. To achieve this, the department expects school leaders, along with governors and trustees, to manage resources effectively in an increasingly autonomous system so as to raise educational standards.

The department presides over a complex system of external oversight, sharing responsibility for oversight with the Education Funding Agency and Regional Schools Commissioners (both are part of the department), and 152 local authorities. The department has set up frameworks that specify how it and other bodies should assess school performance and when they should intervene. The main formal interventions are: warning notices to raise formal concerns about a school's performance; changing a school's governing body; and for local authority maintained schools and converter academies, turning the school into a sponsored academy. There are 460 sponsors which support and manage 1,900 academies.

On the basis of a report by NAO the Committee took evidence on 17 November 2014 from the Department for Education, the Education Funding Agency, the Office of Standards in Education, Children's Services and Skills (Ofsted), the National Association of Head Teachers and the National Governors' Association, on school oversight and intervention. The Committee published its report on 30 January 2015. This is the Government response to the Committee's report.

#### Background resources

- NAO report: *Academies and maintained schools: oversight and intervention* – Session 2014-15 (HC 721)
- PAC report: *School oversight and intervention* – Session 2014-15 (HC 735)

#### 1: Committee of Public Accounts conclusion

*There are significant gaps in the department's knowledge of performance in individual schools.*

##### **Recommendation:**

*The department should develop leading indicators to fill the gaps in its information on governance, efficiency and safeguarding, and then incorporate them into its expectations of how oversight bodies identify underperformance.*

1.1 The Government disagrees with the Committee's recommendation.

1.2 The "*Review of Efficiency in the Schools System*"<sup>3</sup> report said the department is developing a simple metric to compare the efficiency of schools. The plan is for it to be ready by autumn 2015 and it will be available to those who have oversight of schools. Departmental school benchmarking and efficiency tools already exist.

1.3 Academy trusts are required to notify the Education Funding Agency (EFA) of changes to key post holders within 14 days of the change. In addition, trusts must provide an annual statement of turnover of members and trustees and the names of current serving members and trustees. The EFA

<sup>3</sup> [https://www.gov.uk/government/publications/review-of-efficiency-in-the-schools-system\\_](https://www.gov.uk/government/publications/review-of-efficiency-in-the-schools-system_)

uses this information as part of its overall risk assessment to consider whether reviews of academy trusts are required. *Schools Causing Concern*<sup>4</sup> guidance sets out the actions expected of local authorities in overseeing the governance of maintained schools in their area; including when they should intervene in response to poor governance and the importance of them keeping records of all governors which can be used to undertake due diligence.

1.4 The department has considered and does not believe there is an appropriate metric for safeguarding. The effectiveness of safeguarding systems depends on the culture of the school. Therefore, inspection is the most appropriate vehicle to assess whether safeguarding systems are robust and implemented effectively. *Keeping Children Safe in Education* guidance is being revised and will make even clearer what all school staff should know and do if they are aware of any safeguarding concerns.

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

*Weak oversight arrangements can mask problems in some schools, which then go undetected until serious damage has been done.*

### **Recommendation:**

*The department needs to clarify its own role, and the roles of Regional Schools Commissioners, local authorities and the Agency and specify how they will work together to share information and identify failure at an earlier stage. In addition the department should set clear and explicit expectations for Regional Schools Commissioners to ensure that they make effective use of local authorities' relationships with and local knowledge about schools and academies in their areas.*

*In the next 18 months, the department should evaluate the effectiveness of the Regional Schools Commissioners, and how constructively they are working with local authorities. The Department should also explicitly set out the set up and running costs of Regional School Commissioners so that value can be assessed.*

2.1 The Government agrees with the Committee's recommendation.

### **Recommendation implemented.**

2.2 The department has set out its role and the respective responsibilities of Regional Schools Commissioners (RSCs), local authorities and the EFA in the revised Accountability System Statement published on 20 January 2015. The department has also provided the Committee with the set up and running costs for year one of the RSCs and will be looking further at these costs against performance in the coming months.

2.3 RSCs exercise the Secretary of State's responsibilities for the educational performance of academies, including free schools, university technical colleges and studio schools. Local authorities are encouraged to report any concerns about the educational performance of an academy in their area to the relevant RSC. The department will continue to review the role of RSCs as the academy programme develops.

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

*Lack of clarity in the department's guidance has contributed to a situation where some local authorities do not understand their safeguarding duties towards pupils in academies.*

### **Recommendation:**

*The department should clarify local authorities' safeguarding responsibilities towards schools in a single document, including whether or not local authorities have the power to direct academies to change their safeguarding arrangements.*

<sup>4</sup> <https://www.gov.uk/government/publications/schools-causing-concern—2>

3.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** June 2015.

3.2 The legislative and statutory safeguarding framework regarding local authority duties and responsibilities is clear. Local authorities have overarching duties for safeguarding and promoting the welfare of individual children and young people in their area. This was established through the Children Act 1989. Nonetheless, the department has taken further action to ensure clarity following the request from the Committee. The department wrote to all local authorities on 9 January 2015 to remind them of their safeguarding responsibilities to children in schools and academies.

3.3 The department is currently working on revisions to *Working Together to Safeguard Children* (2013), the core departmental guidance on safeguarding. This revised guidance will clarify the responsibilities of all schools, including independent schools, academies and free schools, in relation to safeguarding and promoting the welfare of pupils. On 20 January the department published statutory guidance for local authorities on *Schools Causing Concern*. This revised guidance clearly sets out that local authorities retain responsibility for safeguarding children in academies. Where local authorities have concerns about an academy's safeguarding arrangements they should inform the EFA.

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

***The department lacks information about the number and quality of school governors.***

##### **Recommendation:**

***The department should carry out a skills audit of school governors and ensure that all schools provide appropriate training for all governors and trustees. The department should regularly assure itself that the capability and capacity of governors are fit for purpose.***

4.1 The Government disagrees with the Committee's recommendation.

4.2 The department has set out clear expectations of governors and their responsibilities in regulations and guidance, including the need for appropriate training. Oversight of the quality of governance in maintained schools is a local authority role and advice is provided in the revised "*Schools Causing Concern*" guidance. Oversight of academies' governance is the responsibility of the EFA, which scrutinises academy trusts' annual governance statements which form part of their published audited annual accounts.

4.3 The departmental focus, and that of the inspection regime, is on the quality and effectiveness of governance. It is governing bodies' responsibility to identify and meet governors' development needs including through regular skills audits and accessing appropriate training.

4.4 The Ofsted inspection regime has a strong focus on the quality of governance. It is the appropriate means of assessing the capability and capacity of governors to a frequency proportionate to the overall performance of the school. For academies the EFA have strengthened their monitoring of governance changes in academies and the department has taken clear new powers to bar those involved in academy governance found to be unsuitable. The roles and responsibilities of governors and trustees are clearly set out in the Academies Financial Handbook (AFH) and if there is a breach, the EFA will consider whether intervention is necessary. The trust must also be able to demonstrate the accounting officer is a fit and suitable person for the role as set out in the AFH.

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

***Oversight bodies have not formally intervened in some schools that have been identified as underperforming.***

##### **Recommendation:**

***The Department and the Agency should improve the recording of their decisions to identify and intervene in underperforming schools to ensure consistency in the approach to the schools. The Department must ensure that, as a minimum, all schools eligible for intervention are identified.***

5.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2015.

5.2 The EFA and department have consistent approaches to intervention because all their cases are considered against the same frameworks. This includes consideration of the Ofsted assessment of schools with an assumption that there will be intervention where a school is judged inadequate; performance against nationally specified minimum floor standards; and adherence to the AFH and Funding Agreement.

5.3 When deciding whether and how to intervene, proper account is also taken of the specific circumstances of the school. For example some trusts need support and challenge to overcome legacy issues from their predecessor school whilst in other cases there may be serious mismanagement or irregularity, which demand immediate intervention. The department's ability to do this has been strengthened by the introduction of RSCs and Headteacher Boards (HTB), who alongside the EFA, are able to make an assessment of the severity of any weaknesses identified and the effectiveness of action plans. The department now publishes the conclusions of all HTB meetings and the decisions taken by RSCs.

5.4 In August 2014 the department introduced a new knowledge management system to improve its recording of interventions in underperforming academies. The EFA has developed a risk assessment tool, which will allow it to monitor all trusts using a range of financial, governance and education performance indicators and to identify those where further investigation is appropriate.

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

*The department does not know enough about which formal interventions are most effective to tackle failure under which circumstances.*

#### **Recommendation:**

*The department should commission a full evaluation of the cost-effectiveness of all formal interventions in schools.*

6.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** December 2015.

6.2 The department will evaluate the cost-effectiveness of all formal interventions in schools where it is feasible to isolate and measure their costs and impact. The department has provided good evidence of the effectiveness of sponsored academies as an intervention and has further work planned to assess the value for money of the academies programme, including a strand on sponsored academies, using a cost-benefit analysis based approach. The benefits will include estimated impacts on attainment and Ofsted ratings, taking into account important factors such as the timing of inspections in relation to interventions and the relative scope to improve of different schools. The department will extend this work to assess the cost-effectiveness of other school interventions where data and techniques make it feasible to isolate their impact in a robust and reliable way.

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

*There are no independent assessments of the effectiveness of academy sponsors and the department has taken an optimistic view of sponsor capacity for too long.*

#### **Recommendation:**

*The department should obtain independent judgements of the capacity of sponsors that run more than one academy, and should use this to determine which sponsors are able to grow and when it should intervene with particular sponsors.*

7.1 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

7.2 There are already independent sources of information about academy sponsors via the current system of individual school inspection, focused inspections of groups of schools in a sponsor led Multi-Academy Trust and examination results. The department closely monitors the performance of sponsor led trusts using performance data, Ofsted ratings and financial data and has introduced a system for pausing sponsors where it has serious concerns.

7.3 RSCs and their HTBs have improved oversight and intervention in academies using local intelligence, performance information and financial data to make speedy and decisive interventions. The department has also increased its understanding of what makes a good sponsor and has shared this across the sector.

7.4 The current system of focused inspections of groups of academies in a Multi Academy Trust has shown itself capable of providing information about sponsors that has supported firm action on sponsors where needed. The department wrote to Ofsted on 23 January 2015 to confirm the approach to these inspections. By spring 2015 the department will improve ease of access to information about sponsor performance via extra functionality on the performance table website allowing users to search by sponsor.



## Thirty Fourth Report of Session 2014-15

### Department for Communities and Local Government

#### Financial Sustainability of Local Authorities

##### Summary from the Committee

Since 2010, the Government has reduced funding for local government in England as part of its plan to reduce the fiscal deficit. In real terms, the Government will reduce its funding to local authorities by an estimated 37% over the period 2010-11 to 2015-16. The funding reductions have not hit all local authorities equally, with reductions ranging between 5% and 40%. Local authorities have, on the whole, responded well to the cuts in funding. But the external auditors of local authorities have voiced concerns over whether some authorities will continue, over the medium term, to be financially sustainable and be able to make further savings. This is particularly the case for authorities responsible for adult social care and children's services.

The department has overall responsibility for central government funding to local authorities. However, a number of other government departments have policy responsibility for specific duties which local authorities are obliged to perform. At spending reviews, the Department is also responsible for leading a cross-government assessment of local authorities' ability to maintain statutory services while dealing with the consequences of a funding reduction.

On the basis of a report by the NAO, the Committee took evidence, on 19 November 2014, from the Department for Communities and Local Government and the Treasury, on the impacts of funding reductions on local authorities' financial sustainability. The Committee published its report on 28 January 2015. This is the Government response to the Committee's report.

##### Background resources

- NAO report: *Financial Sustainability of Local Authorities* - Session 2014-15 (HC 783)
- PAC report: *Financial Sustainability of Local Authorities* – Sessions 2014-15 (HC 833)

##### **1-2: Committee of Public Accounts conclusions:**

**1: *The department should be the single point that is overseeing the implications of Government funding reductions and their implications for the delivery of local statutory services***

**2: *The department does not understand the impact over time of reductions in funding to local authorities, and the potential risks of individual authorities becoming financially unsustainable if reductions continue.***

##### **Recommendation:**

***The department should improve its oversight of the financial sustainability of local authorities. It should produce, and update annually, a measure of change in revenue spending power agreed with local authorities which are transparent in showing change over time.***

2.1 The Government agrees with the Committee's recommendation.

##### **Recommendation implemented.**

2.2 The department has been wholly transparent about the way spending power is calculated. It has published figures for spending power for each year since 2010-11, and calculates them in such a way that allows a like for like comparison between consecutive years. The department believes that its definition is the best available measure of funding that is under the influence of local authorities.

##### **Recommendation:**

***The department should adopt a targeted approach to monitor more closely the financial sustainability of individual local authorities deemed to be at high risk.***

2.3 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

2.4 The department draws intelligence from a range of sources across Whitehall and beyond, including regulators like Ofsted and the Care Quality Commission as well as local auditors. The department's primary focus is on key pressures and statutory services as it is not the department's role to micromanage councils, who are best placed to know their local needs. The Department will continue to strengthen its relationship with other organisations to build an even greater understanding of the local government financial environment and, most importantly, how this affects services. For example: the department regularly meets local Government representatives and professional bodies such as the Local Government Association, the Association of County Treasurers, the Chartered Institute of Public Finance and Accountancy, and other independent bodies to discuss local Government funding issues.

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

*There is a risk that value for money might be undermined by reductions in spending in one area leading to additional costs elsewhere.*

**Recommendation:**

*The department should review regularly existing activity data across a range of key services such as adult social care and children's services to monitor the impact of funding reductions on services including those delivered by other bodies locally like the NHS.*

3.1 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

3.2 The department continues to receive financial information on all authorities' expenditure. However, the department does not monitor or review existing activity data to see if changes have an impact on outcomes for a number of reasons. Firstly, the department does not believe that it is possible to draw direct causal links between outcomes and funding, as there are many factors which affect such data, not just funding levels. Secondly, without the expert knowledge of the policy holding department, it is possible to still miss significant trends.

3.3 The department has a targeted approach to working with other Government departments to address issues as they arise. It works with them to identify an evidence base and possible solutions. For instance, the Department of Health approached DCLG on possible approaches to dealing with winter pressures on health and local authority services, and this led to extra funding for local Government. In the case of Deprivation of Liberty Safeguarding, the Government has taken a different approach in working with the local Government sector to streamline administrative procedures and consider options for clarifying the law.

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

*There is a risk that central Government will not appreciate when reductions in funding threaten the viability of some statutory services.*

**Recommendation:**

*HM Treasury should ensure that all relevant departments comply fully with the department's requests for information at future spending reviews. The department should ensure that other departments' assessments of impact consider the full range of local authority statutory services. The impact assessment should also focus on types of authority in which, because of higher funding reductions coupled with more intense service demand, services are at greater risk of becoming unsustainable.*

4.1 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

4.2 The Treasury expects full cooperation from departments at every Spending Review and will work with the Department to ensure that requests for information about the needs and resources of local Government are fully assessed and complied with.

**Recommendation:**

*The department should open up a wider consultation with local government on which statutory services local authorities should be expected to deliver, if there are to be further periods of funding reductions.*

4.3 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

4.4 The department's approach to the 2013 Spending Review took on board recommendations made post Spending Review 2010, to work with other departments to better evaluate the impact of decisions on local authority finances, working closely with the Department of Health, the Department for Education, the Department for Transport and others.

4.5 DCLG worked particularly closely with the Department of Health to understand pressures and efficiency opportunities in social care and these departments continue to work together to support the integration of health and social care. DCLG also worked with the Department for Education to understand what more Government could do to help local authorities respond to spending pressures. DCLG is working closely with the Department for Transport to ensure that the financial impact of HS2 on relevant local authorities is fully assessed and funded. All four departments will continue to improve benchmarking of costs and outcomes.

4.6 The Treasury and DCLG have built on this approach and are engaging with other Government departments whose policies impact on local Government. This should ensure further improvements in the quality of analysis relating to the overall impact on local authorities of policy and funding changes across Government.

**Recommendation:**

*The department should open up a wider consultation with local government on which statutory services local authorities should be expected to deliver, if there are to be further periods of funding reductions.*

4.7 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

4.8 In 2011, the department led a comprehensive cross-Whitehall exercise to produce a list of all the statutory duties placed on local Government by central Government. The response to the consultation resulted in little consensus, from the public or the local government sector, on the way ahead.

4.9 Furthermore, in 2013, the department conducted an internal review which identified 434 sections of DCLG legislation that placed statutory duties on local government. Of these, 121 related to legislation that had already been subject to deregulatory review, or would be shortly, and 12 duties had the potential to be repealed.

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

*The department's assessment of what transformation projects can deliver is limited.*

**Recommendation:**

*Focussing on its own transformation programmes for local government first, the department needs to understand whether transformation initiatives are capable of delivering the size and pace of grant reductions. If necessary, the department should expand its support for transformation programmes across the country.*

5.1 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

5.2 The department is committed to reporting on a national, independent cost benefit evaluation of the Troubled Families programme and is also aggregating the local evaluations emerging from the places closely supported by the Public Service Transformation Network. It is also working with the Department of Health to evaluate the Better Care Fund programme and scoping a robust and cost effective approach to capturing the evidence from the experiences of the Transformation Challenge Award places.

5.3. The department has built local technical capability and collaborated to re-design better local outcomes. The number of local authorities supported by the Transformation Challenge Award has increased year on year, the Transformation Network currently works closely with 16 places, up from 4 original pilots, and the Troubled Families programme has been expanded to include an additional 400,000 families. This is in addition to the recommendations from the Service Transformation Challenge Panel, support offered by the Centre of Excellence for Information Sharing, and the network of 7 "What Works" Centres.

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

*HM Treasury should endeavour to give more clarity to local authorities about future funding, so that local authorities can plan their delivery of services going forward.*

**Recommendation:**

*HM Treasury should work with the department to introduce multi-year finance settlements for local authorities.*

6.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** Next Spending Review.

6.2 The Government committed at Autumn Statement 2013 to work with departments to give local public services the same long-term indicative budgets as departments from the next Spending Review. In the Autumn Statement 2014, the Government also committed to publishing local service budgets for 2015-16 on a single webpage.

6.3 The Treasury and the department worked with other Government departments to bring together and publish funding allocations to Local Authorities, Local Policing Bodies and Fire and Rescue Authorities at the same time as, and aligned to, the Local Government Finance Settlement. Aligning publication and timing of budgets is a first and critical step towards future public sector multi-year budgets.

## Thirty Sixth Report of Session 2014-15

### Ministry of Justice

#### Implementing reforms to civil legal aid

##### Summary from the Committee

Legal aid pays for legal services for people who meet eligibility criteria set by the Government. In November 2010, the Ministry set out plans for reforms to civil legal aid and these took effect in April 2013. The reforms had four objectives: to make significant savings to the legal aid budget; to discourage litigation at public expense; to target legal aid to those who need it most; and to deliver better overall value for money. To achieve this the Ministry introduced reforms including: removing many areas of law from eligibility for legal aid; tightening the financial eligibility criteria for legal aid; cutting fees paid to providers by 10%; and providing more legal advice over the telephone.

The Ministry is responsible for legal aid policy and the Legal Aid Agency (the Agency) is responsible for the operation of the legal aid system, including managing contracts with legal aid providers and monitoring the quality and accessibility of legal aid. The Agency spent £801 million on civil legal aid in 2013-14, £141 million less than in 2012-13.

On the basis of a report by the NAO, the Committee took evidence, on 4 December 2014, from the Ministry of Justice and Legal Aid Agency about the implementation of reforms to civil legal aid through the Legal Aid, Sentencing and Punishment of Offenders Act 2012. The Committee also took evidence from the Magistrates Association and Citizens Advice. The Committee published its report on 4 February 2015. This is the Government's response to the Committee's report.

##### Background resources

- NAO report: *Implementing Reforms to Civil Legal Aid – Session 2014-15* (HC784)
- PAC report: *Implementing reforms to civil legal aid – Session 2014-15* (HC 808)

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

*The Ministry would have been better able to deliver its policy objectives if it had developed and made use of a robust evidence base.*

##### **Recommendation:**

*Where policy intent is clear, the Ministry should gather the necessary evidence proactively so that decisions are taken on that basis.*

1.1 The Government agrees with the Committee's recommendation.

##### **Recommendation implemented.**

1.2 A comprehensive research programme has been established to develop the evidence base regarding the impacts of the reforms. Reforms of this kind are a process rather than an event, and the department is continuing to adjust its approach as new evidence of the impact becomes available. The research projects include a nationally representative survey to establish the prevalence of civil and social justice problems; a follow-up qualitative study of approximately 130 interviews to acquire an in-depth understanding of how justice problems are resolved; and a survey of the not for profit advice sector, which aims to better understand the size and structure of the sector and how it responded to the legal aid reforms. These projects will contribute to understanding whether legal aid is targeted at those who need it most; why people choose to go court; and how they access legal aid. The projects are due to report in autumn 2015.

1.3 Administrative data is utilised in order to monitor whether the objectives of the reforms are being achieved. Detailed statistics on legal aid volumes and spend, as well as court volumes, are published on a quarterly basis. Where the data deviates from expectations, for example: mediation volumes or volumes through the evidence of violence gateway, the Government has taken action and would do so again if appropriate.

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

*The Ministry's approach to implementing the reforms has inhibited access to mediation for family law cases.*

**Recommendation:**

*The Ministry should closely monitor the take up of mediation following the changes it made in April 2014, and should take prompt action if this does not increase as expected.*

2.1 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

2.2 The department and Legal Aid Agency closely monitor the volumes of Mediation Information and Assessment meetings (MIAMs), mediation starts, and final agreements achieved through publicly funded mediation. Data collected, since April 2014, shows that MIAM attendance has risen, from 3,234 assessments in January to March 2014, to 4,023 in July to September 2014. Mediation Starts have followed the same pattern, rising from 1,751 in January to March 2014 to 1,896 in July to September 2014. The volume of successful mediations fell from 1,299 in January to March to 1,257 in July to September 2014.

2.3 The independently chaired Family Justice Board has a Key Performance Indicator (KPI) for the number of people both attending MIAMs and the number of successful mediations. The KPI's are monitored through the Family Justice Board's Performance Information Sub-Group once a quarter and remedial action taken as appropriate on the basis of all the evidence available. The policy intention remains to see more separating couple settling their disputes without needing to go to court. The department would hope to see further increases in the number of those taking advantage of mediation. The Family Justice Board will keep this issue under review and the Government will consider any further steps that may be needed.

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

*Contrary to its assurances to Parliament, the Ministry does not know whether people who are eligible for legal aid are able to get it.*

**Recommendation:**

*The Agency should, as promised in its 2012 impact assessment, establish a robust mechanism to identify and address any shortfalls in provision, building on the NAO's analysis, so it can be confident those still eligible are able to access legal aid.*

3.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** March 2016.

3.2 The Legal Aid Agency (LAA) already takes steps to identify and address shortfalls in provision across England and Wales through quarterly reviews, covering every procurement area. These consider whether clients have access to organisations who undertake legal aid work in their local area in each category of law, and that organisations have a sufficient volume of case starts available to assist all clients eligible for legal aid.

3.3 The Agency also takes focussed action in particular categories of law where an issue is identified outside of the regular reviews to ensure access to services is maintained. These regular and adhoc reviews enable the Agency to identify the drivers for lack of provision within an area and take appropriate action. This can include running interim tender rounds or inviting existing providers to apply for more work. The LAA has a successful track record of quickly securing provision where access issues have been identified.

3.4 There are geographical variations in the take up of legal aid that the department needs to investigate further. Three pieces of research have been commissioned that are due to report later in 2015. When the conclusions from the reports are available, the LAA will compare this to the provision of services by area and implement any appropriate action.

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

*The complexity of the justice system may be preventing people who are no longer eligible for civil legal aid from securing access to justice.*

**Recommendation:**

*The Ministry should review and simplify the processes that it intends people who do not have legal advice to follow, to ensure that these processes do not restrict access to justice.*

4.1 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

4.2 The Government has kept this issue under constant review since implementation and has taken a number of steps to support people going through the courts without legal representation.

4.3 In family law, the Government welcomed the new judicially led Child Arrangements Programme, which helped to simplify the court process and where the accompanying training focused on ensuring that unrepresented parties are better supported by the judiciary at court. In addition, from April 2014, HMCTS are providing new services to address the two key issues unrepresented parties have in navigating court processes - creating court bundles and service of applications.

4.4 The department has improved the advice available to those representing themselves in court and has provided funding to organisations that can help support them (such as AdviceNow, Personal Support Unit and Royal Courts of Justice Citizens Advice Bureau). HMCTS have produced leaflets, guidance and videos to support people coming to court. In October 2014, the department announced a further £2 million package of support for separating parents and court users in civil and family courts. This included an approach agreed with the legal and advice sectors to increase pro-bono legal advice and support for litigants in person.

4.5 Other elements of the system and processes will continue to be kept under review and improvements made where necessary.

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

*The Ministry cannot manage the impact of the increase in litigants in person, because it still does not understand the impact that they have on the courts service.*

**Recommendation:**

*The Ministry should routinely collect reliable data on the operations of the court service, for example on hearing length, use of other court resources, types of case, and representation, and use this to better understand and manage the impact of LIPs.*

5.1 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

5.2 The department recognises the importance of collecting these data and already routinely collects data on the operations of the court service.

5.3 The department publishes national statistics on a wide range of family court activity on a quarterly basis, including those on disposals and average case durations by representation status for the family courts, in accordance with the Code of Practice for Official Statistics and the Government Transparency Agenda. These statistics are regularly reviewed to ensure they continue to meet the requirements of informed decision-making. This includes consultation and engagement with users, and investigating potential ways in which additional information can be captured, as evidenced by the recently published experimental statistics on hearing length.

5.4 Statistics on county court claims showing self-representing applicants and respondents will be published for the first time in the Civil Justice Statistics Quarterly: October to December 2014 publication, on 5 March 2015.

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

*The quality of face-to-face legal aid is unacceptably low, and the Agency does not understand the link between the price it pays providers and the quality of the advice.*

**Recommendation:**

*The Agency should set out targets to improve the quality of legal advice and a plan and timetable to meet those targets. It should do this by identifying and addressing the reasons that providers are failing its quality assurance tests, including whether or not the high failure rate is driven by the decline in legal aid fees.*

6.1 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

6.2 The Agency takes the quality of its providers seriously. The Agency actively monitors quality through day-to-day contract management. This includes a range of risk-based interventions such as file reviews, checks on supervision and investigating complaints from justice system partners. The Agency also has an independent assurance process (Peer Review) to assess quality of work. Since 2012-13, there has been a significant decline in the number of sanctions issued as a result of this activity, demonstrating an improvement in quality and compliance with contracts. The Agency has written separately to provide clarification about the Peer Review data used in the NAO's report.

6.3 However, the Agency agrees there is scope to consider ways to improve how it measures provider quality. The Agency will review how Peer Review is used and how it can be improved, while remaining robust and proportionate. Supporting analysis of trends and drivers of performance will also be undertaken. The Agency is committed to introducing a more comprehensive approach to Peer Review for criminal legal aid providers in relation to the new crime contracts proposed for introduction later in 2015.

6.4 The Agency also recognises that Legal Services regulators have an important role to play in monitoring quality. The Agency will assess whether any further assurance on quality can be obtained from the regulatory bodies. For example: the Agency is currently considering how the regulators' Quality Assurance for Advocates scheme should be reflected in its arrangements.

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

*The Ministry does not know whether the reduction in spending on civil legal aid is outweighed by additional costs in other parts of the public sector as a result of the reforms.*

**Recommendation:**

*The Ministry should identify the wider costs to the public sector as a part of a full evaluation of the impact of the reforms.*

7.1 The Government disagrees with the Committee's recommendation.

7.2 The Government does not believe that any wider costs could be meaningfully estimated, and would not plan to do so as part of an impact evaluation. The breadth and reach of the LASPO reforms mean that a meaningful estimate would require isolating the impact of the legal aid reforms from a number of other departmental policies, such as reforms to family justice and tribunal fees, policies from other government departments, such as changes to the benefits system, and wider societal trends, such as divorce rates or possession claims. It is difficult to conceive of how a meaningful estimate could be accurately produced.

7.3 As an indication of the difficulty in meaningfully estimating wider costs, the Government notes that the NAO were only able to estimate one wider cost during their audit, that of litigants in person to the courts. This estimate was primarily based on anecdote rather than detailed analysis, and represented a very small fraction of the legal aid savings. The NAO were not able to meaningfully quantify the impact of wider costs outside of the justice system.

7.4 Further, it could normally be expected that if other Government departments had detected a significant impact on their spending as a result of the reforms, then the impact would have been raised with the Ministry of Justice.



## Thirty Eighth Report of Session 2014-15

### HM Revenue and Customs

#### Tax avoidance: the role of large accountancy firms (follow-up)

##### Summary from the Committee

The Committee has reported previously its long-standing concerns about multinational companies avoiding tax, the role played by tax advisers in promoting company structures designed to avoid tax, and the effectiveness of HM Revenue and Customs (HMRC) and the Treasury in tackling these problems. The Committee has published relevant reports in December 2012, April 2013 and June 2013. In evidence used for the April 2013 report, the Head of Tax at PWC had told the Committee that "*we are not in the business of selling schemes*". In November 2014, the International Consortium of Investigative Journalists (ICIJ) published documents showing that PWC negotiated advance tax rulings for many hundreds of companies with the Luxembourg tax authorities.

Media attention focussed on the complex financial strategies employed by a small number of companies on the advice of PWC. The published documents appeared inconsistent with PwC's previous evidence to the Committee, as they suggested PWC had been promoting complex structures that are similar in nature to numerous clients. The Committee therefore invited PWC's Head of Tax to give further evidence, alongside the Director of Tax at Shire Pharmaceuticals, one of the firms on which media attention had focussed. Many other major firms were named in the Luxembourg tax rulings published by the ICIJ and the Committee's concerns go wider than the behaviour of PWC and Shire alone. The Committee's conclusions and recommendations are therefore relevant to the tax advisory industry and its clients as a whole.

The Committee has taken evidence from HM Revenue and Customs (HMRC); the Treasury; the big four accountancy firms; Google; Amazon; and Starbucks to examine tax avoidance. The Committee published its report on 6 February 2015. This is the Government response to the Committee's report.

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

*The tax arrangements PWC promoted in Luxembourg bear all the characteristics of a mass-marketed tax avoidance scheme.*

##### **Recommendation:**

*HMRC should set out how it plans to take a more active role in challenging the advice being given by accountancy firms to their multinational clients, with a particular view to the mass marketing of schemes designed to avoid tax.*

1.1 The Government disagrees with the Committee's recommendation.

1.2 The department already challenges non-compliance by multinationals very effectively. The tax affairs of the 2,000 largest businesses in the UK are managed by Customer Relationship Managers (CRMs) in a special Large Business directorate. CRMs are experienced tax professionals trained to the highest levels of tax compliance, who "man mark" these complex and high risk taxpayers and lead teams of highly skilled specialists to manage their compliance.

1.3 Large businesses are inherently high risk because of their potential impact on revenues and their ability to structure their affairs in tax-efficient ways. That is why the department invests in direct engagement with them so that its tax professionals have in-depth knowledge of their business model, business and tax disputes, appetite for risk in tax planning, and internal governance.

1.4 Through this approach, the department secured £31 billion extra tax from large businesses between 1 April 2010 and 31 March 2014.

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

***Multinational companies do not need to conduct any business of substance in the countries where they shift profits to in order to avoid tax.***

### **Recommendation:**

***In contributing to the OECD's discussions aimed at reforming international tax law, HMRC should push for a more rigorous and meaningful definition of what substance means.***

2.1 The Government agrees with the Committee's recommendation.

### **Recommendation implemented.**

2.2 HMRC and the Treasury are fully engaged in the OECD Base Erosion and Profit Shifting (BEPS) initiative. The underlying aim of the initiative is to align taxing rights with economic activities, and so substance is relevant to a number of the BEPS action items, for example transfer pricing. Together with the Treasury, HMRC is taking an active part in this work.

2.3 The Government recognises the need to tackle tax avoidance arrangements which involve an apparent mismatch between profits and substance. The new Diverted Profits Tax, which is due to be introduced in April 2015, addresses the issue of substance in relation to tax avoidance arrangements which seek to erode the UK tax base.

2.4 Relying on rules based on substance is not, in itself, always sufficient to deal with tax avoidance structures, especially those involving interest. The BEPS action items include a number of approaches to dealing with such avoidance. The Government is committed to identifying appropriate and effective solutions and has already announced its intention to introduce new rules to deal with the use of hybrid tax structures, in line with OECD BEPS recommendations.

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

***The tax industry has demonstrated very clearly that it cannot be trusted to regulate itself.***

### **Recommendation:**

***The Committee believes strongly that the Government must act by introducing a code of conduct for all tax advisers, as the Committee recommended in its April 2013 report. The Committee further recommends that the Government should consult on how it should regulate the industry and enforce such a code, including through financial sanctions that could be imposed in the event of non-compliance.***

3.1 The Government disagrees with the Committee's recommendation.

3.2 The Confederation of British Industry (CBI) has published a draft *Statement of Tax Principles*<sup>14</sup> to promote responsible tax planning. This initiative is a valuable contribution to the ongoing national and international debate around corporate tax transparency.

3.3 The ICAEW has also developed its own *Code of Ethics*, which it expects all of its members to follow. This Code encourages members to comply with its fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

3.4 Compliance with either the *Code of Ethics* or the *Statement of Tax Principles* will not determine whether or not firms can access government contracts. However, the Government has published separate guidelines to give departments the discretion to terminate contracts with suppliers that have engaged in tax avoidance themselves.

## Fortieth Report of Session of 2014-15

### HM Treasury

#### Excess Votes 2013-14

##### Summary from the Committee

Excess votes form part of the framework of Parliamentary control over government spending. Resource-based Supply requires departments to estimate and manage the financial resources they need during each financial year on an accruals basis for commitments to provide services, and on a cash basis to meet commitments as they mature. Parliament authorises departments' proposed cash spending and use of resources.

Resource-based Estimates reflect accruals and non-cash consumption of resources, such as depreciation. A cash limit is also voted by Parliament. A breach of any of the budgetary control limits or the cash limit results in the need for the expenditure to be regularised through the Parliamentary Excess Votes process. In 2013-14, Parliament granted total net resources of £545.7 billion and total cash of £453.4 billion in Supply Estimates to 53 vote-funded bodies.

Under Standing Order of the House of Commons number 55(2) (d), the Committee of Public Accounts scrutinises the reasons behind any individual bodies exceeding their allocated resources, and reports to the House of Commons on whether it has any objection to making good the reported excesses. Once the Committee has reported, Statements of Excesses will be presented to Parliament, to be voted into the Supply and Appropriation (Anticipation and Adjustments) Act. The passing of this Act authorises the additional grant by Parliament to regularise the excesses incurred by departments.

The table below shows the excesses incurred in 2013-14. Parliament is being asked to approve additional budget for the excesses reported in the table.

| Department                                 | Capital DEL    |                            | Resource AME       |                            |
|--|----------------|----------------------------|--------------------|----------------------------|
|  | Excess<br>£    | Amount to be<br>voted<br>£ | Excess<br>£        | Amount to be<br>voted<br>£ |
| Teachers' Pension Scheme (England & Wales) |                |                            | 398,070,000        | 398,070,000                |
| Department for Education                   |                |                            | 166,482,000        | 166,482,000                |
| Charity Commission                         | 153,000        | 153,000                    |                    |                            |
| Wales Office                               |                |                            | 1,000              | 1,000                      |
| <b>Total</b>                               | <b>153,000</b> | <b>153,000</b>             | <b>564,553,000</b> | <b>564,553,000</b>         |

##### Background resources

- PAC report: *Excess Votes 2013-14* - Session 2014-15 (HC 1046)

#### **1-5: Committee of Public Accounts conclusions:**

**1: The Teachers' Pension Scheme (England & Wales) breached its Resource Annually Managed Expenditure limit by £398 million.**

**2: Given the size of this excess, we expect the Department for Education, as managers of the Teachers' Pension Scheme, to write to us setting out the progress it has made on developing a new forecasting model.**

**3: The Department for Education breached its Resource Annually Managed Expenditure limit by £166 million.**

**4: The Charity Commission exceeded its Capital Departmental Expenditure limit by £153,000.**

**5: The Wales Office breached its Resource Annually Managed Expenditure limit by £723.**

#### **Recommendation:**

**Under the terms of the Standing Order of the House of Commons number 55(2)(d), the Committee recommends that Parliament provides the additional resources by means of an Excess Vote.**

1.1 The Government agrees with the Committee's recommendation.

1.2 The Department for Education will separately write to the Committee.

#### **6: Committee of Public Accounts recommendation**

**HM Treasury should continue to regularly monitor the progress departments are making against their Estimates during the year and, where possible, take appropriate action to prevent bodies exceeding their provision. HM Treasury should also take stock on an annual basis of what lessons can be learnt from the prior year's excesses, the effectiveness of the spending controls in place and whether or not these need to be strengthened, and where necessary issue revised guidance to supply financed entities.**

6.1 The Government agrees with the Committees recommendation.

#### **Recommendation implemented.**

6.2 The Treasury will continue to monitor the progress departments are making against their Estimates during the year, and where possible take appropriate action to prevent bodies exceeding their provision. The Treasury monitors daily all departmental drawings of supply cash from the Consolidated Fund. This is achieved using established and robust controls that without fail, prevent departments from drawing amounts of supply cash that exceed the net cash requirements authorised by Parliament in the Estimates and Supply and Appropriation Acts.

6.3 Whenever a department does attempt to draw down supply cash that exceeds what is available, the Treasury immediately alerts the department to the situation, and also directs that the appropriate Spending Team is contacted as a matter of urgency. Spending Teams are also alerted internally by Treasury colleagues, so that early consideration can be given to the use of the Contingencies Fund to help bolster departmental cash flows.

6.4 In 2013-14 there were just four excesses, three relating to resource AME and one to capital DEL. The Treasury continues to update and issue guidance, including the *Consolidated Budgeting Guidance* in order to emphasise financial management; the importance of maintaining firm in-year control; provide clarification on voted limits; outline consequences of breaches to controls; and promote departmental monitoring and the sharing of spending information with the Treasury.

6.5 The Treasury is also responsible for leading improvements in financial management in the public sector. The recommendations set out in the *Review of financial management in government* have contributed to the design of the cross-government Financial Management Review programme, which aims to deliver improvements by putting finance at the heart of decision-making. This programme continues to build on the Treasury's previous work to develop a clear line of sight from Parliamentary controls, through budget management to financial reporting.

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