



HM Treasury

Treasury Minutes

Government responses to the Committee of Public Accounts on the Thirty Fifth to the Forty First reports from Session 2016-17



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Government responses to the Committee of Public Accounts on the Thirty Fifth to the Forty First reports from Session 2016-17

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TREASURY MINUTES DATED 28 MARCH 2017 TO THE COMMITTEE OF PUBLIC ACCOUNTS ON THE THIRTY FIFTH TO THE FORTY FIRST REPORTS FROM SESSION 2016-17

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Thirty Fifth Report of Session 2016-17

Home Office

Upgrading Emergency Services Communications

Introduction from the Committee

The 107 police, fire and ambulance services in Great Britain currently communicate using the Airwave radio system. The system is currently provided by Airwave Solutions Limited, a company acquired by Motorola Solutions Inc in 2016, under contracts that now expire in 2019. In 2011, the Government set up the Emergency Services Mobile Communications Programme to look at options to replace Airwave.

The programme is run by the Home Office but it is co-funded by the Department of Health, and the Scottish and Welsh Governments. The chosen option to replace Airwave is called the Emergency Services Network (ESN). ESN will provide emergency services with better mobile data capabilities and save money by sharing an existing and enhanced commercial 4G mobile data network instead of building a dedicated public service network. In 2015, the programme awarded contracts to Motorola Solutions Inc and Everything Everywhere (EE) to provide the core elements of the new system and the current plan is that all emergency services transition on to ESN by end-December 2019. By that time, £1.2 billion will have been spent developing the ESN and a further £1.4 billion on running down Airwave. The estimated cost once ESN is fully operational is a further £2.6 billion between 2020 and 2032.

On the basis of a report by the National Audit Office, the Committee took evidence, on 16 November 2016, from the Home Office and Department of Health about progress in delivering the upgrade to the emergency services network. The Committee published its report on 25 January 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *Upgrading Emergency Services Communications: Emergency Services Network* Session 2016-17 (HC 627)
- PAC report: *Upgrading Emergency Services Communications - Session 2016-17* (HC 770)

1: Committee of Public Accounts conclusion:

It seems unlikely that the ambitious target date for delivering the Emergency Services Network will be met.

Recommendation:

The Department should reassess the business case timescales, update milestones for delivery and work with emergency services to update transition plans so all parties agree they are deliverable. It must take responsibility for convincing services to switch to ESN but also be clear at what point it will mandate the switchover. The Department should report to the Committee on progress by September 2017.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

1.2 The Department remains committed to providing the Emergency Service users the time they need to transition safely to ESN and are working on the assumption of a continuing need for a 27 month user transition period starting from summer 2018. The Department will, however, be exploring with users the scope for adjusting the transition period. The 9 month delay in the programme has given more time to prepare for transition, while a new approach to vehicle fit in particular could see a substantial proportion of this completed for later transitioning regions before their transition process begins. In this case, it is possible the total length of time required for those regions to transition could reduce. The Department understands users need to be convinced of the case for this.

1.3 The Department has been working closely with Business Change Leads and senior representatives from the three Emergency Services to engage with users across the country and gain their feedback on the updated Programme Plan, transition timelines and regional transition running order. The Department has recently deployed a team of local implementation leads, funded from departmental budgets, to help users develop their own individual transition readiness requirements and plans. Reporting processes have been implemented that enable a clear route for escalating user queries and concerns back to the Department and distributing programme updates. The Department has also been engaging regularly with the larger non-Emergency Service user organisations and will continue to increase this activity.

2: Committee of Public Accounts conclusion:

Despite the prospect of delay the Department has not budgeted for an extended transition period or put in place detailed contingency arrangements to manage this risk.

Recommendation:

The Department should budget for the cost of an extended timeframe and put in place arrangements for Airwave contract extensions as required. The Department should update the Committee on these provisions by September 2017.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2017.

2.2 The current transition timetable includes a contingency of two months within each three Emergency Service region's budgeted 12 month transition period. Following completion of the current review of transition timing undertaken in conjunction with three emergency service user representatives, the programme will re-assess the level of contingency necessary to support the revised plan.

2.3 The Department is separately forecasting what further Airwave extensions might be required to provide for an extended period of transition. The cost of these extensions will be included within the Full Business Case forecast that guides the Departments in forming their future budgets for the programme. We will provide the Committee with an update on this recommendation by September 2017 and will aim to have confirmed the plan for transition by December 2017.

2.4 In August 2016, the Home Office and the other Emergency Services agreed a Change Control Note to the Airwave Emergency Services Contracts that makes provision for extension of the contracts beyond the National Shut Down target date of 31 December 2019.

3: Committee of Public Accounts conclusion:

Good communications can make the difference between life and death for both emergency services personnel and the public but the technology ESN will rely on is not yet proven.

Recommendation:

The Department should put in place adequate and independent testing of the technology required for ESN to make sure it works under pressure in a live environment. The Department must also address the real security concerns about communications on the London Underground and other underground systems and update the Committee on the outcome.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: Summer 2018.

3.2 The test strategy for ESN includes a seven stage test and test assurance process. The final test stages, Service Acceptance Test (Stage 6) and Pilot Test (Stage 7) will consist of a period of trials and pilot testing in the live operational environment.

3.3 Trials and pilot testing will be undertaken by the three emergency services, supported by the ESN Suppliers. The Department and emergency services will work together to design Test Stages 6 and 7 and agree a robust and comprehensive approach to test assurance and trial evaluation. All ESN Users will be encouraged to consider the full range of options, including independent verification, in achieving a decision.

3.4 The Department has been working with Transport for London (TFL) to make progress on ensuring that ESN will be delivered in the London Underground in time for transition. TFL will look to introduce a Public Commercial Network (PCN) solution which should provide commercial coverage from the UK's mobile operators. TFL will prioritise delivery of ESN in the London Underground in all stations and most of the tunnels by January 2019, even if the terms of the wider PCN solution take longer to deliver. The Department is working with TFL and EE to ensure that EE support delivery of ESN within the required timescales, which includes TFL conducting a trial with EE on their technical solution.

4: Committee of Public Accounts conclusions:

The Department did not manage to maintain competitive pressure in letting either of the two main ESN contracts.

Recommendation:

The Department should review its tender arrangements to ensure it does not rule out potential bidders too quickly, to avoid future single supplier situations.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2017.

4.2 The Department already advises the market of tenders so that the Department can hold supplier days and send requests for information. These sessions give suppliers the opportunity to make recommendations on the requirements and procurement, so that multiple suppliers feel able to bid for the contract.

4.3 The majority of the programme's tenders are over the Official Journal of the European Union limit and therefore follow Public Contracts Regulations 2015. The regulations are designed to create transparent, fair and competitive procurements. Additionally, internal governance is used to approve tender strategies via the Commercial Approvals Board. This board will challenge decisions and assumptions.

4.4 The Department is working with the Cabinet Office and Innovate UK to look at alternatives to standard procurement procedures. Early consideration includes the potential to fund suppliers during the tender process to enable them to bid where some suppliers may be further ahead in development. Additionally, to allow the market time to develop devices and prevent awarding to a single supplier the Department is accepting devices for the trial period to a less detailed specification than the same suppliers will deliver for the final production device.

5: Committee of Public Accounts conclusions:

The Committee is concerned that the incumbent suppliers will be in a very strong position when the ESN contracts are recompeted.

Recommendation:

The Department should, working with Ofcom, ensure other network operators have sufficient and timely information to enable them to make use of the ESN infrastructure and should report back to this committee in 2017 on take-up. For devices, the Department should engage with suppliers and ensure that specifications are standardised and do not favour any individual supplier.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

5.2 The Department is working with the Department for Culture, Media and Sport (DCMS) and EE to ensure that, where possible, infrastructure can be shared to improve coverage. For the sites that EE are delivering for ESN, DCMS and the Home Office recently facilitated a roundtable with all four Mobile Network Operators to explore opportunities for earlier sharing of information about site locations and build specifications, enabling the other operators to make use of the infrastructure. EE have indicated they intend to make sites available for commercial use where possible, and under the State Aid agreement for ESN, where EE use government-funded sites commercially they are obliged to make these sites available to other operators on an equal access basis.

5.3 For Extended Area Services (EAS) sites being built by the programme, the Home Office plans wherever possible to build these sites to a specification which will allow multi-operator use in the future, for example by building extensible masts, and larger site compounds. The Home Office has shared with the Scottish and Welsh Governments a list of all proposed EAS site locations, which in turn has been shared with all four mobile operators under a Non-Disclosure Agreement. This will enable the devolved governments to identify which sites could improve commercial mobile coverage in the future.

5.4 The Department has engaged extensively with device vendors in advance of the forthcoming procurements. The Department has also worked closely with Motorola, the systems integrator for ESN, to ensure that the specifications for devices allow the largest possible number of suppliers to bid to provide devices for ESN

Thirty Sixth Report of Session 2016-17

HM Revenue and Customs

Collecting tax from high net worth individuals

Introduction from the Committee

In 2009, HM Revenue and Customs set up a specialist unit dedicated to collecting tax from 'high net worth individuals'. HMRC considered there to be around 6,500 such individuals in 2015–16, about one in every 5,000 taxpayers. These are people who have wealth of more than £20 million. They paid more than £4.3 billion in tax in 2014–15. HMRC assigns a "customer relationship manager" to each high net worth individual, who is a named contact in the department responsible for administering their tax affairs. Tax authorities focus on high net worth individuals because: they pay significant amounts of tax; they often have complex tax affairs; and they have more opportunity to engage in tax planning than the average taxpayer. In addition to the tax that is voluntarily declared by high net worth individuals, HMRC estimates that, in 2015–16, its specialist unit raised a further £416 million from them, compared with £200 million in 2011–12.

In 2016, HMRC reduced to £10 million the threshold above which it will consider someone to be a high net worth individual and therefore subject to the attentions of its specialist unit. In addition to collecting tax, HMRC has a role in identifying tax rules that are not working as Parliament intended and bringing these to the attention of HM Treasury

On the basis of a report by the National Audit Office, the Committee took evidence, on 7 December 2016, from HM Revenue and Customs, about collecting tax from high net worth individuals. The Committee published its report on 27 January 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *HMRC's approach to collecting tax from high net worth individuals* Session 2016-17 (HC 790)
- PAC report: *Collecting tax from high net worth individuals* – Session 2016-17 (HC 774)

1: Committee of Public Accounts conclusion:

HMRC's lack of transparency has eroded public trust in a fair tax system and makes it more difficult for the department to explain what it does well.

Recommendation:

HMRC should publish more information about its work generally alongside its next annual report and at regular intervals thereafter. The Committee would expect the information to include: descriptions of key areas of its work, such as its approaches to tackling non-compliance and prosecutions; annual data on its operations, such as the number of criminal investigations in progress; and, progress updates on areas of public interest, such as its actions to investigate the data leaked in the Panama Papers. HMRC should include the information in its next annual report.

In its response to this report, HMRC should explain how income tax receipts have fallen by £1 billion for high net worth individuals while income tax paid overall has increased by £23 billion.

1.1 The Department agrees with the Committee's recommendation.

Target implementation date: December 2017.

1.2 The Department began publishing more information about each customer segment, including the wealthy, in its 2015-16 Annual Report and will build on this in its 2016-17 Annual Report. This will include annual data on its operations, the number of criminal investigations in progress, and updates on areas of public interest.

1.3 The income tax revenue collected from high net worth individuals in the period 2009-10 to 2014-15 was influenced by economic factors and changes in tax rates. The introduction of the additional rate of income tax in 2010-11 led to forestalling of income brought forward into 2009-10. When this rate was subsequently reduced in 2013-14, individuals delayed income from previous years. Individuals received notice of this change a year in advance. These changes heavily impacted on receipts over the period.

2: Committee of Public Accounts conclusion:

HMRC's approach to dealing with the very wealthy suggests that they get help with their tax affairs that is not available to other taxpayers.

Recommendation:

HMRC should revise and publish guidance to remove any scope for ambiguity about what staff in its high net worth unit can do. It should change the name of its customer relationship managers to something that better describes what they do, and does not suggest an overly close and inappropriate service to the wealthy.

2.1 The Department agrees with the Committee's recommendation.

Target implementation date: December 2017.

2.2 The Department tackles all forms of non-compliance, regardless of the type of customer. The Department tailors its approach to managing compliance according to the risks posed by different customer segments. High net worth individuals have complex affairs and have the capacity and resources to plan their tax compliance in a sophisticated way. The compliance risks this gives rise to require intensive scrutiny, which is the role of the High Net Worth Unit's Customer Relationship Managers (CRMs) and the teams they lead. This approach to managing the compliance of high net worth individuals enables the Department to identify compliance risks and resolve disputes accurately and efficiently, in line with OECD best-practice advice. The Department will publish guidance to ensure all customers are clear about what staff in its High Net Worth Unit can do.

2.3 The Department will consider the matter of changing the name of its Customer Relationship Managers as part of a wider review of wealthy compliance.

3-4: Committee of Public Accounts conclusions:

3: HMRC has not been tough enough in dealing with tax evasion and avoidance by the very wealthy, and it does not know whether its activities are enough to deter non-compliant behaviour.

4: Collecting the right amount of tax from high net worth individuals is made harder because they do not have to declare details of their wealth.

Recommendations:

3: HMRC should assess what more it could do to deter very wealthy taxpayers from bending or breaking the law, particularly in the light of changing behaviour. This should include what new powers might increase its impact, and HMRC should report back to this Committee by July 2017.

4: HMRC should consider what further powers could help it improve its understanding of high net worth individuals, including requiring these taxpayers to provide HMRC information about their assets, and report back to this Committee by July 2017.

3.1 The Department agrees with the Committee's recommendations.

Target implementation date: July 2017.

3.2 In 2015-16, the High Net Worth Unit brought in an additional £416 million compliance yield on top of the £4.3 billion high net worth individuals paid voluntarily in 2014-15. The Unit has delivered year on year increases in compliance yield since its creation.

3.3 The Department currently has open enquiries in relation to one third of high net worth individuals, reflecting the level of compliance risk in this population. The majority of these enquiries relate to tax avoidance and challenges to the Department's interpretation of the law, rather than tax evasion. The Department adopts a wide range of approaches and legal powers in promoting compliance and tackling

non-compliance across all customer segments, including wealthy individuals. The Department continually reviews its powers and will consider what further powers are necessary to improve both understanding of high net worth individuals and help support the Department's compliance activity. The Department also reviews its strategies and advises the Government from time to time on possible compliance responses to changes in customer behaviour and new areas of tax risk. Any changes in powers, including in relation to the reporting of further information, would be announced by HM Treasury Ministers.

3.4 The Department will provide an update to the Committee in the Treasury Minute Progress Report in July 2017.

5: Committee of Public Accounts conclusion:

The rules on 'image rights' as they are applied in football and some other industries are being exploited.

Recommendation:

The Government should take urgent action to address image rights taxation. This must be included in the next Finance Bill to ensure this tax revenue is no longer lost.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2017.

5.2 The Government is aware that some employers make image rights payments under separate contractual arrangements to those that generate employment income. Spring Budget 2017 announced that the Department will publish guidelines for employers who make payments for image rights to their employees, to help employers understand how these payments should be taxed. The Department thinks making new guidance publicly available will improve compliance by clarifying what an image right is and the tests to determine whether payments can be treated as image rights payments or must be subject to Pay As You Earn (PAYE) as earnings.

5.3 To make sure the rules on image rights are applied consistently in football, the Department has initiated a specific football compliance project. Dedicated technical experts will visit all English Premier League, Championship and Scottish Premier League clubs over a three year period and review all compliance risks including payments to players.

6: Committee of Public Accounts conclusion:

HMRC has not yet assessed the strengths and weaknesses of its approach to collecting tax from high net worth individuals or considered the different approaches it could take.

Recommendation:

HMRC should conduct a formal evaluation of the high net worth unit and routinely monitor, analyse and report on the tax receipts from this group of taxpayers. It should set out a timeframe for reporting back to this Committee on the results of its evaluation.

6.1 The Department disagrees with the Committee's recommendation for a formal evaluation.

6.2 The Department scrutinises the performance of all its teams on a regular basis. It also monitors and updates its understanding of the tax risks posed by customer segments, including the wealthy. The Department does not believe that further formal evaluation is required.

Thirty Seventh Report of Session 2016-17

Department of Health

NHS treatment of overseas patients: progress update

Introduction from the Committee

Whether patients are supposed to pay for treatment depends on whether they are resident in the UK and on the type of treatment. Some treatments, including GP appointments and accident and emergency care, are currently free to all patients and some patients, such as refugees and those applying for asylum, are exempt from charges. In other cases, statutory regulations require hospital trusts to make and recover charges in respect of the cost of treating overseas visitors. Most hospital care is chargeable. Trusts should charge visitors from outside the European Economic Area and Switzerland (EEA&S) directly, and report when they treat visitors from the EEA&S so that the UK can recoup charges from other member states, for example under the European Health Insurance Card (EHIC) scheme.

Research for the Department for Health in 2013 indicated that the NHS recovered less than a fifth of the amount it could have charged. In July 2014, the Department launched an overseas visitor and migrant cost recovery programme with the aim of increasing the amount recovered, from £73 million in 2012–13 to £500 million a year by 2017–18, by extending the scope of charging and implementing the existing regulations more effectively. New rules extended the charging regime in April 2015, so that students and temporary migrants from outside the EEA&S now have to pay an immigration health surcharge as part of their visa application.

On the basis of a report by the National Audit Office, the Committee took evidence, on 21 November 2016, from the Department of Health and NHS Improvement. The Committee published its report on 1 February 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *Recovering the cost of NHS treatment for overseas visitors* - Session 2016-17 (HC 728)
- PAC report: *NHS treatment for overseas patients* – Session 2016-17 (HC 771)

1: Committee of Public Accounts conclusion:

The Committee is not confident that the Department for Health is taking effective action to recover more of the costs of treating overseas visitors.

Recommendation:

The Department of Health should publish, by June 2017 at the latest, an action plan setting out specific actions, milestones and performance measures for increasing the amount recovered from overseas visitors. The action plan should name senior individuals in the Department and NHS Improvement whom the Committee can hold to account.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 The Government published its formal response to its *consultation*¹ on the extension of charging overseas visitors using the NHS in England on 6 February 2017, detailing planned activity to increase cost recovery rates during the 2017- 2018 financial year and beyond.

1.3 The response sets out a number of measures for identifying and charging overseas visitors, including the introduction of regulations from April 2017 for providers of NHS-funded care to identify and flag an overseas visitor's chargeable status and the removal of NHS funding for assisted conception services from the services to which surcharge payers are entitled.

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/590027/Cons_Response_cost_recovery.pdf

1.4 From April 2017, all NHS and non-NHS providers of NHS-funded care will become legally obliged to charge, and receive up-front full payment for non-urgent treatment. In the case of A&E and ambulance services, the Department is still considering the points raised by respondents and exploring the feasibility of implementing the proposals and will respond on those points in Autumn 2017.

1.5 The Accounting Officers for the Department of Health and NHS Improvement remain accountable to the Committee.

2: Committee of Public Accounts conclusion:

Progress in increasing the amounts recovered, particularly for patients from other EEA&S countries, is hampered because the NHS is not effectively identifying chargeable patients.

Recommendation:

The Department should do more to build on existing systems, such as the NHS number and electronic patient record, to flag to trusts when people are entitled to free care as well as when they are not. This could help tackle both the very low levels of cost recovery for EEA&S patients, and the problem that some people resident in this country may find it hard to show documents that indicate their entitlement. The Government should work with other agencies public and private to make clearer in advance of people coming to the UK what health insurance should be taken out and individual liabilities.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: Summer 2017.

2.2 The Department is actively engaged with other Government Departments including the Home Office, the Department of Work and Pensions (DWP), and HM Revenues and Customs (HMRC) to identify what further existing sources of information could be used to indicate a patient's entitlement to NHS care. Any approach would be developed around the use of the patient's NHS record, to populate the central NHS database with this information, and allow national access to appropriate NHS staff. Options being pursued include extending data shares with other Government Departments and identifying ways in which the resident population could be marked with a 'green banner' to indicate they are entitled to free NHS care; this exploratory work will conclude in Summer 2017.

2.3 NHS Digital has developed the NHS Spine to 'push' the chargeable status information to the Patient Administration System (PAS) in a Trust. The next step is for NHS Trusts to commission their PAS suppliers to develop the system update required to create an interface between the Spine and PAS. This can only be done at Trust level where the commercial relationship between provider and supplier exists. The Department is working with NHS Digital and NHS England to support trusts in taking this forward.

2.4 The Department is working with the Foreign and Commonwealth Office (FCO) and UK Visas and Immigration to communicate to overseas visitors coming to the UK the fact that NHS treatment is not usually free of charge and they should therefore travel with insurance to avoid charges and potential impact on future visa applications. The Department is also working with the FCO to make sure that British ex-patriates are provided with information about their entitlement to free healthcare or whether they need to pay.

3: Committee of Public Accounts conclusion:

The extent of unexplained variation between trusts, both in the amounts they charge and the debts they recover, suggests that some hospital trusts have scope to make substantial improvement.

Recommendation:

NHS Improvement should benchmark trusts, identify which are doing well compared with similar trusts, share this information with senior trust executives and boards, and set out what it will do to promote best practice. An additional incentive would be to develop a system that more directly rewards those institutions which most efficiently collect monies owed.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 NHS Improvement and the Department have identified up to 20 pilots sites across a number of Trusts in England who have the highest opportunity for cost recovery, based on their geography and size. NHS Improvement are working intensively with these Trusts to improve their cost recovery processes and pilot new innovations for up-front charging as well as targeting specified areas of healthcare where all patients accessing these particular services will be asked to demonstrate their entitlement to NHS services. A newly appointed Cost recovery Support Team is providing diagnostic support to Trusts and disseminating best practice as it becomes available.

3.3 In November 2016, NHS Improvement launched a Cost Recovery dataset on the Model Hospital Dashboard. All nationally-available cost recovery data is now accessible to Trusts in England for the first time in one place. This forms part of the wider 'Carter' efficiency programme and allows trusts to benchmark their cost recovery performance against their selected peers and identify and share best practice. All senior Trust executives and board members can have access to the model hospital portal by registering with NHS Improvement for a log in to see how they are performing relative to other Trusts on cost recovery.

3.4 A range of measures currently exist to incentivise Trusts to identify and charge overseas visitors and migrants not eligible for NHS-funded health care. The EEA incentive, introduced in October 2014, enables any Trust submitting information on European Health Insurance Card (EHIC) patients to receive 25% of the value of the treatment. Similarly, the non-EEA incentive, introduced in April 2015, enables Trusts to charge non EEA visitors 150% tariff and the splitting of risk of non-payment between commissioner and provider. Through the intensive Trust engagement currently underway, NHS Improvement will gain further insight into the current incentives and how they work in practice and identify if additional approaches are required.

4: Committee of Public Accounts conclusions:

While the statutory responsibility to identify and charge overseas patients lies with trusts, other parts of the health system also have an important role and are not yet doing enough to support cost recovery.

Recommendation:

NHS Improvement should collect and share data on the performance of trusts in charging patients and recovering money, and intervene when performance is clearly falling short. At local level, clinical commissioning groups should scrutinise the performance of their local trusts, and use their powers to audit trusts if they are not confident that trusts' charging processes are robust.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2018.

4.2 Relative cost recovery performance is now collected by NHS Improvement and made available to trusts on the Model Hospital dashboard. Best practice guidance is being developed and will be refined with the learning from the work with the initial cohort of trusts. NHS Improvement will consider how Cost Recovery performance could be included as part of its wider assessment of trusts efficiency improvement during 2017-18. This may then consequently form part of NHS Improvement's assessment of a trusts performance and standing under its Single Oversight Framework, which will inform the type of regulatory intervention for improvement.

4.3 NHS England is working with NHS Improvement to identify gaps in the data currently available for identifying overseas visitors that should be required to pay for care or treatment, and to use this information to define a minimum dataset that supports Clinical Commissioning Groups (CCGs) in scrutinising the performance of their local trusts.

4.4 NHS England is currently refreshing its *Who Pays?* guidance for CCGs, and will reiterate the position on overseas visitors when it is published later in 2017.

5: Committee of Public Accounts conclusions:

GPs could do more to help the NHS increase the amounts recovered for treating chargeable patients

Recommendation:

NHS England should clarify what it expects of GPs in relation to identifying chargeable overseas patients, and issue guidance by the end of June 2017. The guidance should set out the role of GPs in the charging system and how they might best fulfil this role.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: July 2017.

5.2 In the GP contract negotiations for 2017-18, contractual changes have been agreed to help identify patients from the European Economic Area (EEA) with a non-UK issued European Health Insurance Card (EHIC) or S1 form or who may be subject to the NHS (Charges to Overseas Visitors) Regulations 2015.

5.3 Practices will be required to provide all new patients with a revised General Medical Services 1 registration form, which includes supplementary questions to determine a patient's eligibility to healthcare. For those patients who self-declare that they hold a non-UK issued EHIC or a S1 form, the practice will be required to manually record this in the patient's medical record and send the form and supplementary questions to NHS Digital or the Overseas Healthcare Team via email or post. The Department will provide GP practices with hardcopy patient leaflets which will explain the rules and entitlements for overseas patients accessing the NHS in England.

5.4 NHS England and the General Practitioners Council will work with GP system suppliers to put in place an automated process, as soon as possible, to replace the manual process. These changes will eventually enable the Department to re-charge the patients' home EEA country for the cost of their treatment. It will also enable these patients to be identified in secondary care and therefore the cost of their secondary care treatment to be re-charged to their home country. New investment of £5 million from NHS England will support this in order to cover the additional administrative cost for GP practices.

5.5 Changes to the GP contract are due to come into force on 1 July 2017 along with accompanying guidance.

Thirty Eighth Report of Session 2016-17

Cabinet Office

Protecting information across Government

Introduction from the Committee

Protecting the information government holds from unauthorised access or loss is a critical responsibility for departmental accounting officers, particularly with the increasing need to disseminate this information to other public bodies, delivery partners, service users, and citizens via new digital services. The Cabinet Office is responsible for coordinating this activity across central Government Departments. However, increasing dependencies between central Government and the wider public sector means traditional security boundaries have become blurred.

In recent years, the threat of electronic data loss from cyber-crime, espionage, and accidental disclosure has risen considerably; the Government Communications Headquarters (GCHQ) dealt with 200 national cyber security incidents (defined as attacks which threatened UK national security) per month in 2015, up from 100 per month in 2014. Concurrently, personal data breach reporting remains highly variable, with some Departments recording thousands of incidents in the 2014–15 financial year and five Departments recording none at all. In October 2016, GCHQ launched the new National Cyber Security Centre, designed to act as a bridge between industry and Government, providing a unified source of advice, guidance and support on cyber security, including the management of cyber security incidents. The Cabinet Office's second National Cyber Security Strategy was published in November 2016.

On the basis of a report by the National Audit Office, the Committee took evidence, on 14 November 2016, from the Cabinet Office. The Committee published its report on 3 February 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *Protecting information across government* – Session 2016-17 (HC 625)
- PAC report: *Protecting information across government* – Session 2016-17 (HC 769)

1: Committee of Public Accounts conclusion:

It has taken too long to consolidate and coordinate the 'alphabet soup' of agencies involved in protecting Britain in cyberspace.

Recommendation:

The Cabinet Office should develop a detailed plan for the NCSC by the end of this financial year, setting out who it will support, what assistance it will provide and how it will communicate with organisations needing its assistance.

1.1 The Government disagrees with the Committee's recommendation.

1.2 The National Cyber Security Centre (NCSC) is an entity in its own right with its own mandate as the UK's definitive operational authority on cyber security. As such it is responsible for setting its own priorities.

1.3 The NCSC has brought together key organisations that previously worked separately on cyber security, and embedded law enforcement elements to further enhance its operational work. This is crucial to delivering improved cyber security to the UK. The NCSC will act as the single authoritative voice on cyber security, helping to make the UK the safest place to live and do business online.

1.4 In May 2016, the Government published the NCSC prospectus, which included detailed articulation of the NCSC's goals and ways of working, and invited responses during a structured consultation following this publication. The Consultation informed the design of the NCSC and its services. The NCSC plans to publish an annual report on the state of UK cyber security, detailing progress against the NCSC objectives set out in the NCSS and Prospectus.

1.5 The NCSC has already delivered cyber security improvements to the public through the Active Cyber Defence (ACD) and DMARC (Domain-based Messaging and Reporting Conformance) programmes. ACD tackles cyber-attacks at source, so that they don't reach the user. The NCSC is piloting ACD on Government systems, as part of the evidence based approach to solutions, before sharing it more widely with the private sector. DMARC allows domain owners to understand how their domains (for example: www.ncsc.gov.uk) are being used to send email, both legitimately and illegitimately. The NCSC plan to use the reports generated by DMARC to understand the abuse of all public-sector domains.

1.6 The NCSC website² is a resource for all organisations with an interest in cyber security and provides tailored advice to audiences. The Cyber-Security Information Sharing Partnership platform provides a chance for industry and Government to exchange cyber threat information in real time. This can be done in a secure environment increasing situational awareness and reducing the impact on UK business. Organisations such as public sector and Critical National Infrastructure firms, may also receive bespoke advice from NCSC cyber security advisors, including from the NCSC incident management team following a cyber incident.

2: Committee of Public Accounts conclusion:

The Cabinet Office's approach to protecting information places too little emphasis on informing and supporting citizens, service users, and the wider public sector beyond Whitehall.

Recommendation:

The Government should establish a clear approach for protecting information across the whole of the public sector and delivery partners - not just central Government - and clearly communicate to all these bodies how its various policy and guidance documents can be of most use, including during a data breach incident.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2017.

2.2 The Department, NCSC and CPNI are continually redeveloping the Government Security Policy Framework and its associated policy and guidance. The Department will share the updated Framework with other public sector organisations in December 2017. This work will be supported by a cross-departmental Standards Board and Government Security Board.

2.3 The Department continues to work with the National Archives on Board level briefings across the public sector based on publicity material developed with the support of the Department and other partners. In addition to the briefings, the Department also supports the National Archives with their Information Assurance training packages, which promotes best practice.

2.4 The Department also provide support to the Departments for Communities and Local Government (DCLG) via the National Cyber Security Programme to assist with communication and awareness programmes for the local government community. Additionally the Department has a similar support arrangement with NHS Digital who provide related services to the Health community.

2.5 The Department can only directly mandate the security controls appropriate to central Government takes on protecting information. In order to mandate local government authorities, the Department would need to properly assess and fully fund this new requirement accordingly to the New Burdens doctrine. The New Burdens doctrine ensures that the pressure on council tax is kept down by requiring all departments to justify why new duties, powers, targets, responsibilities and other bureaucratic burdens are being placed on local authorities and to fully assess and fund any associated cost. To ensure ongoing compliance, the Department would have to fund an appropriate assurance regime to monitor and report on organisations. At this time, this option is considered unviable.

2.6 The NCSC provides a unified source of advice, guidance and support on cyber security and aimed at individuals, businesses and organisations. For example, the NCSC's WebCheck service scans websites for vulnerabilities and identifies strengths, weaknesses and out-of-date certificates in an automatically generated report. The NCSC has made freely available a tool to eliminate spoof emails that

² www.ncsc.gov.uk

had already been used to stop 300 million fake emails that appeared to be from HMRC reaching email inboxes. This will enable businesses to work out who is spoofing them. Businesses in the most exposed sectors will also benefit from training facilities, exercises, testing labs, security standards and consultancy services provided or reinforced by the Government.

3: Committee of Public Accounts conclusion:

Centrally managed government information projects are not yet delivering as planned.

Recommendation:

The Cabinet Office should ensure that there is robust challenge built into the design of these projects and review them regularly. It should monitor spend against budget and be clear that the expected benefits for cyber security are still achievable.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 The Department will ensure that all programmes, which meet the threshold, are added to the Infrastructure and Project Authority portfolio and are therefore subject to their review cycle, this includes Foxhound, a pan-government IT system for data marked at the Government Security Classification "SECRET", which has been undergoing this process since Summer 2015.

3.3 All new public facing transactional services must now meet the Digital Service Standard³ which has been jointly developed by the Cabinet Office and the Government Digital Service and is used as a tool to assess whether services are good enough for public use. To support Departments through the development of phase of programmes, the Government Digital Service have also developed the associated Service Manual.⁴ This revised process delivers robust challenge into the design, iterative progress and performance of projects.

3.4 The Department led Transforming Government Security Programme contains the required structures and governance to drive benefits, review and challenge.

4: Committee of Public Accounts conclusions:

The Cabinet Office's attitude to departmental reporting has led to poor monitoring of the costs and performance of individual departments' efforts to protect information.

Recommendation:

The Cabinet Office should regularly assess the cost and performance of Government information security activities, and identify a set of baseline indicators that departments should report against to support this objective.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2017.

4.2 The Department, NCSC and CPNI are continually redeveloping the Government Security Policy Framework and its associated policy and guidance. The Department will be share an updated Security Policy Framework with other public sector organisations in December 2017. This work will be supported by a cross-departmental Standards Board and Government Security Board. Once the Security Policy Framework is complete, the Department will be mandating Government Departments to report annually on their security spend and performance. This will form part of the annual security compliance for completion in December 2017.

³ <https://www.gov.uk/service-manual/service-standard>

⁴ <https://www.gov.uk/service-manual>

5: Committee of Public Accounts conclusions:

The Cabinet Office's ability to make informed information security decisions is undermined by inconsistent and chaotic processes for recording personal data breaches.

Recommendation:

The Cabinet Office should consult with the Information Commissioners' Office to establish best practice reporting guidelines and issue these to departments to ensure consistent personal data breach reporting from the beginning of the 2017–18 financial year.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: Summer 2017.

5.2 The Cabinet Office met with the Information Commissioners' Office (ICO) in March 2017 to scope this work and develop the plans for implementation. The Cabinet Office and ICO will be consistent in publication of the new guidance on personal data breach reporting in Summer 2017, based on the guidance already completed by the ICO. The work will be published on GOV.UK and the ICO website.

6: Committee of Public Accounts conclusions:

The Government is struggling to ensure its security profession is suitably skilled.

Recommendation:

The Cabinet Office should write to the Committee within six months of this report, setting out its findings from the pilot security cluster and what steps it is taking to improve Government's capability in this area.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: August 2017.

6.2 The Department will write to Committee in August 2017 detailing the progress made with the pilot of the Security Cluster.

6.3 In addition, the NCSC is supporting the Department of Culture Media and Sport to grow cyber skills nationwide. The Centre has led the development of a number of national schemes that are intended to help develop the talent pipeline and help plug the skills gap, inspiring and nurturing young talent onto a cyber security career pathway from school to further and higher education. The CyberFirst Girls cyber security competition has been an early success. Over 2,100 school teams and more than 8,000 school girls aged 13-15 years took part in the 7-day competition, with over 200,000 answers submitted. Schemes such as CyberFirst, certified degrees, and the Academic Centres of Excellence in Cyber Security Research offer opportunities for secondary school, undergraduate and post-graduate students, as well as postdoctoral studies in cyber security.

Thirty Nine Report of Session 2016-17

Department of Business, Energy and Industrial Strategy

Consumer funded energy policies

Introduction from the Committee

Our electricity system is undergoing a radical transformation in response to two challenges: the need to maintain a secure energy supply and the need to reduce carbon emissions. These challenges arise because demand for electricity is expected to increase over the next two decades while many of the UK's existing coal and nuclear power stations will shut. At the same time, Government wants a growing proportion of electricity to come from low-carbon sources like wind, solar energy and nuclear power to meet its climate change targets.

Most government policies to promote and manage this transition involve placing obligations on energy suppliers with the resultant costs being funded by consumers through their energy bills. To help control these costs, in 2011 the Treasury and the Department for Business, Energy and Industrial Strategy created the Levy Control Framework (the Framework). The Framework sets yearly caps on the forecast costs of three Government schemes to support low-carbon generation that are funded by consumers: the Renewables Obligation, Feed in Tariffs, and Contracts for Difference. The Framework requires the Department to take early action to reduce costs if forecasts exceed the cap. The cap is £4.9 billion for 2016–17 rising to £7.6 billion for 2020–21. In 2016 Framework costs constituted £64 of the typical household's yearly energy bill.

On the basis of a report by the National Audit Office, the Committee took evidence, on 14 November 2016, from the Department for Business, Energy and Industrial Strategy. The Committee published its report on 8 February 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: *Controlling the consumer-funded costs of energy policies: the Levy Control Framework - Session 2016-17* (HC 725)
- PAC report: *Consumer-funded Energy Policies - Session 2016-17*. (HC 773)

1: Committee of Public Accounts conclusion:

The Department significantly underestimated the costs of the three Framework schemes adding an estimated £17 to the typical household's yearly energy bill in 2020.

Recommendation:

The Department must ensure it has access to the right expertise and intelligence to ensure its forecasts are based on the best available evidence. It should review its market intelligence capability regularly to ensure it is doing enough to mitigate the risk of further forecasting failures.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 Since 2014, the Department has significantly improved its commercial intelligence capability via a dedicated Investor Relations team. The team is composed of both civil servants and staff recruited directly from the financial markets.

1.3 The Investor Relations team sits in the Department's Commercial Directorate and engages with both current and potential future institutional investors to explain BEIS policies and priorities and understand how specific policy changes may impact investments. This involves engagement with pension, infrastructure and insurance firms, asset managers, commercial banks and sovereign wealth funds in the UK and internationally.

1.4 The Department has also strengthened forecasting and governance for the three Framework schemes. The Department has established a quarterly review process where the forecast, and the underpinning assumptions, are thoroughly scrutinised. The assumptions are assessed and analysed by a multi-disciplinary team which gathers intelligence across the Department and externally, from policy, analysis, engineering and commercial specialists.

1.5 The Department keeps its market intelligence capability under continuous review, adjusting focus to respond to need from policy teams and improve the scrutiny of processes and the quality of the information provided.

2: Committee of Public Accounts conclusion:

The Department had not prepared properly for the possibility that its forecasts were wrong, and as a result it had to take quick corrective action that may have undermined investors' confidence.

Recommendation:

The Department and HM Treasury should assess the uncertainty surrounding forecasts of energy schemes, and put in place proportionate backup plans for controlling scheme costs and outcomes in the event that central forecasts prove incorrect

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented

2.2 The Department has made significant progress in improving its modelling and its approach to risk. Forecasts for schemes covered by the Levy Control Framework now present different spend scenarios based on the main drivers of the uncertainty of the forecast spend and the financial impacts of any deviations from the central forecast.

2.3 Central estimates are presented within a range of potential outcomes to give decision-makers a broad understanding of the levels of uncertainty surrounding the forecasts. Risks are also discussed with and challenged by the Treasury at Levy Control Board meetings which are part of the governance process.

2.4 The Department's other schemes all have their own robust methods for assessing uncertainty tailored to the nature of the policy. For the Capacity Market most costs are fixed four years before the year in which they are incurred, the Energy Company Obligation is the latest in a long line of energy efficiency supplier obligations with a strong history of accurate cost estimation, and the Warm Home Discount involves payment of a flat rate rebate to an agreed number of people, therefore costs are fairly predictable and the uncertainty ranges around the central estimates are very narrow.

2.5 In the event that central forecasts prove incorrect, it should be noted that a large proportion of costs under the Levy Control Framework are locked in through signed contracts. The Government has already taken measures to gain better control of the allocation of new subsidy, through the introduction of a deployment cap via a tariff degression system in the Feed in Tariffs scheme and the closure of the Renewables Obligation. New low carbon support is now provided through Contracts for Difference auctions, which are not demand-led schemes, increasing control over future subsidy costs.

2.6 The Department's other energy schemes have robust cost control measures built in such as caps on auction sizes and degression of payments. In the Capacity Market, the auction design includes fall-back elements such as a price cap on all bidders to ensure that the direct, gross costs of any particular auction cannot exceed a pre-determined figure. Warm Home Discount involves payment of a flat rate rebate to an agreed number of people and is therefore straightforward to control. For the Energy Company Obligation, energy suppliers are given time periods over which to meet their targets so they can determine the most cost effective trajectory and the installation of measures is paid for upfront with no trail of spending commitments as targets are met.

3: Committee of Public Accounts conclusion:

Governance responsibilities for the Framework were badly defined and HM Treasury failed to provide sufficient oversight.

Recommendation:

The Department and HM Treasury should review the governance arrangements for all consumer-funded energy schemes, and write to us with the outcome of the review. Governance arrangements should ensure boards responsible for the schemes meet regularly and include sufficiently senior officials from both departments.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2017.

3.2 Each consumer-funded scheme has its own separate governance arrangements to ensure robust management and scrutiny of projections. These arrangements are tailored to the size of the budget and the complexity of the policy.

3.3 The governance arrangements for the three schemes which have a budget set within the Levy Control Framework (Renewables Obligation, Feed in Tariffs and Contracts for Difference) involve a comprehensive process of scrutiny through a number of formal Departmental Boards, including the Levy Control Board which includes senior officials from both the Treasury and the Department.

3.4 The governance processes for all consumer-funded energy schemes will be reviewed by the Department and the Treasury to ensure that they are fit for purpose. The outcome and recommendations resulting from this review will be shared with the Committee.

4: Committee of Public Accounts conclusions:

The Department does not publish enough information on the Framework and has not produced, as promised, annual reports on consumer funded energy schemes.

Recommendation:

The Department should report much more openly and regularly on the Framework and also publish a consumer prices and bills report annually in an easily understandable format so that consumers can see clearly what they are paying. The next edition should be published before April 2017. It should also publish a clear account of the assumptions underpinning Framework forecasts each time those forecasts are published.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2017.

4.2 The Department recognises the importance of consumers having regular, reliable data on the costs and impacts of Government energy policies and on energy prices and bills.

4.3 The Department will publish its latest estimates of the impact of Government energy policies on domestic bills in the near future.

5: Committee of Public Accounts conclusions:

The review of the Framework needs to address drawbacks in the current design to avoid it becoming increasingly ineffective at controlling costs to consumers and supporting investor confidence.

Recommendation:

In reporting the results of the review the Treasury should set out in detail how the future Levy Control Framework or its successor will operate. It should also demonstrate how stakeholders' concerns were identified and addressed in the new arrangements, including regarding the way costs are measured.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2017.

5.2 Government engaged with a variety of stakeholders on the future of the Levy Control Framework in the run up to Spring Budget in order to identify their concerns and priorities for the future of the Framework. This included roundtable meetings, individual meetings and Budget submissions.

5.3 Many stakeholders agreed that the Levy Control Framework has worked well in the past to curb costs and provide certainty to investors, but it is no longer the right vehicle to do this. At Spring Budget 2017, the Government announced that the existing Levy Control Framework will be replaced by a new set of controls. These will be set out later in the year. Government will continue to engage with stakeholders on this policy area and address their concerns where possible.

**6: Committee of Public Accounts conclusions:
Other schemes that impact on energy bills are not included in the Framework.**

Recommendation:

As part of reviewing the future of the Framework the Department should ensure it has appropriate arrangements to monitor and control the costs of all consumer-funded energy schemes.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2017.

6.2 Each of the Department's consumer-funded energy schemes has its own monitoring and cost control processes designed to manage risks specific to the scheme and monitor costs. Key risks of each scheme, including the financial risks are set out in the Department's risk registers which are monitored by the Department's Performance Finance and Risk Committee.

6.3 Whilst reviewing the future of the framework with the Treasury, the Department will also ensure that appropriate arrangements are in place to monitor and control costs for each consumer-funded energy scheme. The Department is committed to continually reviewing and improving the arrangements through which the costs of policy are controlled. The outcome and recommendations resulting from this review will be shared with the Committee.

6.4 The Government recognises the need to limit costs to businesses and households as the UK decarbonises. As announced in the Industrial Strategy Green Paper, the Government will commission a review of the opportunities to reduce the cost of achieving the Department's decarbonisation goals in the power and industrial sectors.

Fortieth Report of Session 2016-17

Department for the Environment, Food and Rural Affairs

Common Agricultural Policy Delivery Programme

Introduction from the Committee

The Common Agricultural Policy (CAP) is the European framework of subsidies and rural development programmes. The Department has overall responsibility for CAP and the Rural Payments Agency, as the paying agency for all CAP payments in England, pays out £1.8 billion a year to English farmers and landowners. The CAP provides direct financial support to farmers primarily through the Basic Payment Scheme (which accounts for around 80% of total payments) and funding for rural development programmes such as the Countryside Stewardship Scheme. The EU reforms the CAP every seven years or so. The new CAP came into force in 2014 and is expected to be in place until 2020.

The RPA is developing the CAP Delivery Programme, a new suite of IT solutions to administer CAP, but implementation was significantly delayed, and the online application portal was not ready in time, resulting in a reversion to paper-based applications for the 2015–16 application window. In 2015–16 the RPA paid out £1.39 billion to 87,500 farmers in England between December 2015 and October 2016. The Department for Environment, Food and Rural Affairs (the Department) incurs penalties, or disallowance, when it is deemed not to have complied with EU requirements for delivering the CAP. Since 2005 the Department has incurred £642 million in disallowance.

On the basis of a report by the National Audit Office, the Committee took evidence, on 2 November 2016, from the Department for Environment, Food and Rural Affairs and the Rural Payments Agency on the Common Agricultural Policy Delivery Programme. The Committee published its report on 10 February 2017. This is the Government response to the Committee's report.

Background resources

- NAO report: Progress on the Common Agricultural Policy Delivery Programme - Session 2016-17 (HC 727)
- PAC report: Progress on the Common Agricultural Policy Delivery Programme – Session 2016-17 (HC 766)

1: Committee of Public Accounts conclusion:

The Rural Payments Agency (RPA) was unable to pay farmers the full amount due on time.

Recommendation:

The Department needs to ensure accurate, full payments are made in a timely manner in the payment window starting in December 2016 and that it returns to previous payment performance levels for 2017–18. The Department needs to ensure that the departure of Mr Grimshaw does not unduly impact on the delivery of improved performance.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented

1.2 The Rural Payments Agency (the Agency) built on the experience of the first year of the new Basic Payment Scheme to deliver substantial improvements in performance under the 2016 Scheme. The Agency paid 91% of eligible Basic Payment Scheme 2016 payments by the end of December 2016, thereby meeting its first payment target. The Agency also met its second payment target, to pay 93% of farmers by March 2017, more than two months ahead of schedule. The Agency has now paid more than 82,000 (96.4%) farmers and is working hard to get outstanding payments into farmers' bank accounts.

1.3 The Agency has a very experienced leadership team in place who will continue to lead the Agency following the departure of Mark Grimshaw. Paul Caldwell, previously the Rural Payments Agency Operational Director, has been appointed interim Chief Executive. Paul will ensure that the focus continues to be on delivering remaining payments to all eligible claimants as soon as possible.

1.4 The Department expects that the Agency will be able to deliver wider service improvements in its performance in future years.

2: Committee of Public Accounts conclusion:

The RPA needs better data to make full payments promptly and accurately.

Recommendation:

As part of its commitment to providing farmers with timely payments, the RPA must ensure that its land register is accurate. It should in the response to this report, set out when it expects to have digital maps with data that is no older than three years and also when it will reduce this to one year.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2018.

2.2 The Department is committed to improving the mapping data it uses to administer CAP payments so that it is more accurate and up to date, thereby helping to improve the accuracy of payments and reduce the risk of disallowance. The Agency is using a range of data sources, including additional satellite imagery, to update the mapping data. Work is underway to ensure that none of the claimed land parcels on the Agency's land register is based on mapping data which is more than three years old. This work is being undertaken ready for the opening of the Basic Payment Scheme payment window in December 2017.

2.3 The Agency is also further improving its mapping data in ways which offer value for money. The Agency is considering a range of measures including improving its processes for assessing the eligibility of land parcels, acquiring additional satellite imagery to improve its data on common land and establishing a rolling programme of mapping updates. These measures will be in place by Winter 2017-18.

3: Committee of Public Accounts conclusion:

The Department has not assessed the impact on farmers and the rural community of failing to make full payments on time.

Recommendation:

The Department must learn lessons from the floods to ensure payments to farmers in times of crisis are not delayed. It should also look at how it identifies affected farms to ensure those in need receive support. The Department more generally must improve its understanding of the impact delayed payments have on farmers and the wider rural community.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 The Department is very conscious of the impact of delayed payments on farmers and the wider rural community, including the contribution delayed payments can make to farmers' cash flow challenges. The Department regularly meets with industry representative bodies to understand any emerging issues for particular sectors. Learning the lessons from the floods, the Department will work closer with relevant stakeholder groups to identify the range of affected farmers should such a situation arise in future.

3.3 The Agency has worked hard to improve its payment performance and for the Basic Payment Scheme 2016 has already paid a range of claim types and sizes, including cross-border, young farmer, those inspected and farmers with common land. With 96.4% of BPS 2016 payments made, the Agency's focus remains on paying the remainder of eligible Basic Payment Scheme 2016 claims as promptly as possible, with specific measures in place designed to help farmers in need of financial support while they await their scheme payment.

4: Committee of Public Accounts conclusions:

The availability of hardship payments and bridging payments was not enough to mitigate the impact on farmers' livelihoods of late and partial payments.

Recommendation:

Whilst the Committee welcomes the Department's decision to rename hardship payments in response to concerns raised by the Committee, it should seek to remove any potential stigma attached to applying for BPS Financial Support Payments, and provide greater certainty to farmers about when they will receive their payments.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 To provide greater certainty to farmers and ease their financial cash flow, the Department has announced that the Agency will make bridging payments for farmers awaiting their full Basic Payment Scheme 2016 payment. Any eligible farmer who has not received their full payment for 2016 by the end of March 2017 will be issued a bridging payment for 75% of their claim value, with similar arrangements in place for each year until we leave the EU.

4.3 In addition, following the views expressed by the Committee and having consulted stakeholders, in November 2016 the Agency renamed its Basic Payment Scheme hardship payments as Financial Support Payments. These payments provide financial support to farmers who are facing financial difficulties and whose payment will be made later in the scheme payment window. For the Basic Payment Scheme 2016, the Agency has continued to work very closely with a range of farming help organisations, such as the Farming Community Network, to see what practical steps it can take to provide support to farmers in need. The Agency issues information to farmers on how to access this support should they need it.

5: Committee of Public Accounts conclusions:

Disallowance penalties remain far too high, and an effective strategy to address this has taken too long to develop.

Recommendation:

Leaving the EU does not absolve the Department from ensuring that the current high level of disallowance penalties does not continue. The Department must now focus on delivering its delayed strategy to address this waste of taxpayers' money.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 The Department is committed to taking cost-effective action to reduce disallowance to as low as possible whilst the UK remains a member of the European Union. Under the Department's Disallowance Strategy, risks for each CAP scheme are regularly assessed and mitigation measures are then focussed on addressing the major causes of possible disallowance. To ensure value for money, actions are prioritised on the basis of their likely impact on disallowance, as well as how they fit with wider Government policy.

5.3 The Department is investing in mitigation measures where they are likely to save more in disallowance than they cost in implementation. For example, the Department is investing in improving its mapping data, which has historically been the biggest cause of disallowance. The European Commission has recently formally signed off the Department's action plan on mapping which is a good indication that it is content with the progress we have made and plans we have in place.

5.4 The Department has also been engaging constructively with the European Commission's simplification exercise to try to remove some of the complexity in the CAP rules, which drives up the risk of disallowance. The Department has also continued to challenge proposed disallowance that it believes is unjustified or disproportionate compared to the risk to the Fund, often resulting in reduced disallowance costs. This has included taking cases to the Conciliation Body and, where we have a strong case and it is cost-effective to do so, challenging disallowance through the Court of Justice of the European Union.

5.5 Implementation of the strategy is overseen by David Kennedy (Director General for Food, Farming, Animal and Plant Health), held to account by the Permanent Secretary. In support of this the Departmental Disallowance Steering Group meets monthly to assess progress.

6: Committee of Public Accounts conclusions:

The Department and the RPA have been remiss in not identifying and adopting best practice from other countries to develop a system that works properly and minimises the rates of disallowance.

Recommendation:

The RPA should do more to compare with and learn from other paying agencies, in the UK and Europe, and implement best practice more rapidly.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 The Agency is an active member of the Learning Network of European Union Common Agricultural Policy Paying Agencies. Through this forum, the Agency shares best practice on implementation of Common Agricultural Policy schemes, including learning lessons on ways to reduce disallowance. For example, other member states, such as Germany, have been successful in reducing their disallowance risk by investing in their mapping systems. The Department has sought to learn from this by making investments to improve the mapping data used by the Agency. The Agency will continue to participate in such fora whilst the UK is a European Union member state and will take steps to ensure the knowledge gained is shared more widely within the Agency.

6.3 The Agency has visited other member states, such as the Netherlands, to learn from their implementation experiences. The Agency also exchanges information with other member states about the scope and outcome of European Commission audits in order to improve its assessment of disallowance risks and develop mitigating measures. Any lessons learned are incorporated into the Department's work to implement its Disallowance Strategy.

6.4 Similarly, the Agency shares best practice and learns lessons from the other UK Paying Agencies, such as through its participation in the UK Paying Agencies Directors Forum.

7: Committee of Public Accounts conclusions:

Any new programme of payments to farmers following Brexit must avoid the pitfalls of the past to ensure farmers are paid promptly and in full.

Recommendation:

As the body with the necessary understanding and expertise on what works, and what does not work, the RPA must be at the table to support discussions of any future subsidy payment scheme to farmers following Brexit.

7.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

7.2 The Department has a European Union Exit Steering Group for the overarching programme which is assessing the European Union exit implications on the Department's policy areas. Delivery bodies, including the Agency, are represented on this group and others beneath it, for example on the group leading on developing future agriculture and land use policy. The Department is conscious of the need to have policy and delivery locked together, so that it develops policy which can be delivered effectively and learns lessons from what has and has not worked well in the past. The Agency and other delivery bodies are therefore fully embedded in the Department's work on designing the future agriculture and land use policy. The Department will continue to draw on this delivery expertise as it further develops the future policy and transitional arrangements.

Forty First Report of Session 2016-17

HM Treasury / Department for Education

Excess Votes 2015-16

Introduction from the Committee

The Public Accounts Committee scrutinises, on behalf of Parliament, the reasons individual Departments exceeded their allocated resources, and reports to the House of Commons on whether it has any objection to the amounts needed to rectify the reported excesses. The Committee may also make recommendations to Departments concerning the causes of these excesses.

In 2014-15 and 2015-16, the Department for Education breached its expenditure limits. On the basis of the Committee's examination of the reasons why the Department for Education exceeded its voted provisions, the Committee has no objection to Parliament providing the necessary amounts by means of an Excess Vote.

The Committee also commented on the Treasury's approach to controlling Parliament's spending limits and overseeing Departmental financial performance.

The Committee took evidence from the Department for Education and from the Treasury on 1 February 2017. The Committee published its report on 10 February 2017. This is the Government response to the Committee's report.

Department	Non-Budget	Resource AME	Capital DEL
	Excess / Amount to be voted £	Excess / Amount to be voted £	Excess / Amount to be voted £
Department for Education 2014-15	3,072,871,000	101,366,000	31,228,000
Department for Education 2015-16	-	175,116,000	115,855,000

Background resources

- PAC report: *Excess Votes 2015-16* – Session 2016-17 (HC 954)

1-2: Committee of Public Accounts conclusions:

1: *The Public Accounts Committee plays an important role in scrutinising Excess Votes on behalf of Parliament and expects Parliament's spending controls to be complied with.*

2: *HM Treasury manages Parliament's spending controls on its behalf and oversees the overall spending framework. The Committee was concerned whether this process is sufficiently robust to hold Accounting Officers to the spending limits approved by Parliament.*

Recommendation 1-2:

HM Treasury should set out how it has sought to mitigate each Excess Vote that departments have incurred in future years and how it has escalated its oversight of departments in line with the framework set out in this report.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 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. If required by the Committee, the Treasury will continue to provide evidence associated with any future Excess Votes incurred by Departments and the associated spending controls applied.

3: Committee of Public Accounts conclusion:

The Committee noted that the Department for Education plans to produce a Sector Annual Report and Accounts (SARA) for academies, which will address some of its current accounting challenges, but it remains to be seen to what extent it will improve oversight and understanding of the academies sector.

Recommendation:

The Department for Education should ensure that it demonstrates clearly how the Sector Annual Report and Accounts will improve accountability and oversight of the academies sector. It should set out these improvements in the first consolidated report for the sector together with its plan for addressing the issues relating to accounting for academy land and buildings.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: October 2017.

3.2 The Department for Education wrote to the Education Committee on 28 February 2017, and copied the letter to the Public Accounts Committee. This letter explained that the intention was to publish the first Sector Annual Report and Accounts (SARA) by the end of October 2017. The correspondence provided an update on how the proposed content of SARA will improve accountability and oversight, and also confirmed the Department's plan and progress on resolving key accounting issues including about accounting for academy land and buildings. More details will be included in SARA.

4-8: Committee of Public Accounts conclusions:

4: In 2014–15 the Department for Education breached its Resource Annually Managed Expenditure limit by £101,366,000.

5: In 2014–15 the Department for Education also breached its Capital Departmental Expenditure Limit by £31,228,000.

6: In 2014–15 the Department for Education also breached its Non-Budget provision by £3,072,871,000.

7: In 2015–16 the Department for Education breached its Resource Annually Managed Expenditure limit by £175,116,000.

8: In 2015–16 the Department for Education also breached its Capital Departmental Expenditure Limit by £115,855,000.

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 and non-budget provision by means of an Excess Vote.

4.1 The Government agrees with the Committee's recommendations.

Recommendations implemented.

4.2 The Treasury agrees with the excesses outlined by the Committee in their report.

9: Committee of Public Accounts conclusion:

The Department for Education has, for the third year running, substantially exceeded the financial resources voted to it by Parliament.

Recommendation:

The Department for Education should set out what improvements it has made to its budgeting process to address the weaknesses highlighted by the excess related to the Aggregator Vehicle plc and to ensure it is better able to manage its budget in future years.

9.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

9.2 The Department for Education has agreed with the Treasury how to budget for the Aggregator for future years. The Aggregator was a very novel approach to procurement. The Department has learned from this experience and will seek to apply this knowledge should similar situations arise in the future.

List of Treasury Minutes 2015-20⁵

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

Session 2016-17

Committee Recommendations: 263⁶
 Recommendations agreed: 240 (91%)
 Recommendations disagreed: 23 (9%)

Publication Date	PAC Reports	Ref Number
November 2016	Government responses to PAC reports 1 to 13	Cm 9351
December 2016	Government responses to PAC reports 14 to 21	Cm 9389
February 2017	Government responses to PAC reports 22-25 and 28	Cm 9413
March 2017	Government responses to PAC reports 26-27 and 29-34 ⁷	Cm 9429
March 2017	Government responses to PAC reports 35-41	Cm 9433
May 2017	Government responses to PAC reports 42-51	
July 2017	Government responses to PAC reports 52+	

Session 2015-16

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

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

⁵ List of Treasury Minute responses for Sessions 2010-15 are annexed in the Government's response to PAC Report 52

⁶ Recommendations up to March 2017

⁷ Report 32 contains 6 conclusions only.

List of Treasury Minutes: Progress Reports

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

Publication Date	PAC Reports	Ref Number
January 2012	Session 2010-12: updates on 13 PAC reports	Cm 8271
July 2012	Session 2010-12: updates on 28 PAC reports	Cm 8387
February 2013	Session 2010-12: updates on 31 PAC reports	Cm 8539
July 2014	Session 2010-12: updates on 60 PAC reports Session 2012-13: updates on 37 PAC reports	Cm 8899
March 2015	Session 2010-12: updates on 26 PAC reports Session 2012-13: updates on 17 PAC reports Session 2013-14: updates on 43 PAC reports	Cm 9034
February 2016	Session 2010-12: updates on 8 PAC reports Session 2012-13: updates on 7 PAC reports Session 2013-14: updates on 22 PAC reports Session 2014-15: updates on 27 PAC reports	Cm 9202
July 2016	Session 2010-12: updates on 6 PAC reports Session 2012-13: updates on 2 PAC reports Session 2013-14: updates on 15 PAC reports Session 2014-15: updates on 22 PAC reports Session 2015-16: updates on 6 PAC reports	Cm 9320
January 2017	Session 2010-12: updates on 1 PAC report Session 2013-14: updates on 5 PAC reports Session 2014-15: updates on 7 PAC reports Session 2015-16: updates on 18 PAC reports	Cm 9407
July 2017	Session 2010-12: updates on 3 PAC reports Session 2013-14: updates on 7 PAC reports Session 2014-15: updates on 12 PAC reports Session 2015-16: updates on 26 PAC reports Session 2016-17: updates on 39 PAC reports	Cm

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