



HM Treasury

Treasury Minutes

Government response to the Committee of Public Accounts on the Seventy-Second to the Seventy-Seventh reports from Session 2017-19

This publication includes a correction to the Sixty-seventh report



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

April 2019

TREASURY MINUTES DATED 1 APRIL 2019 TO THE COMMITTEE OF PUBLIC ACCOUNTS ON THE SEVENTY-SECOND TO THE SEVENTY-SEVENTH REPORTS FROM SESSION 2017-19.

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Sixty-Seventh Report of Session 2017-19

The Home Office

Financial sustainability of police forces in England and Wales

Introduction from the Committee

There are 43 territorial police forces in England and Wales. Each force is headed by a Chief Constable, with authority over all operational policing decisions and staff. Chief Constables report to an elected Police and Crime Commissioner. In consultation with their Chief Constables, Commissioners set objectives for forces in an annual police and crime plan, and allocate the funds needed to achieve these objectives.

The Department is responsible for assessing how much funding forces need; deciding how much the policing system receives as a whole; allocating grants to Police and Crime Commissioners (who decide how much goes to police forces and how much to other initiatives to reduce crime); and maintaining a system of local accountability that assures Parliament that forces spend their resources with regularity, propriety and achieve value for money.

The Department estimates that total police funding in 2018–19 will be £12.3 billion, of which central government is funding £8.6 billion and local government (through the police precept collected alongside council tax) £3.6 billion. Total funding to police forces has fallen by 19% in real terms since 2010–11, with central government funding dropping by 30%. While most spending decisions are made locally, the Department must have enough information to make good decisions about the level and nature of funding it provides and be in a position where it can get assurance that forces are not at risk of becoming financially unsustainable.

Based on a report by the National Audit Office, the Committee took evidence, on 10 October 2018 from the Home Office, Police and Crime Commissioner for Devon and Cornwall; Police and Crime Commissioner for Merseyside; Chief Constable Durham; and Chief Superintendent, Vice President, Police Superintendents Association and Her Majesty's Chief Inspector of Constabulary. The Committee published its report on 7 November 2018. This is the Government response to the Committee's report.

NAO and PAC Reports

- NAO report: [Financial sustainability of police forces in England and Wales 2018](#) - Session 2017–19 (HC 1501)
- PAC report: [Financial sustainability of police forces in England and Wales](#) - Session 2015–16 (HC 288)
- PAC report: [Financial Sustainability of police forces](#) – Session 2017-19 (HC 1513)

Government responses to the Committee

1: PAC conclusion: The Department's lack of a comprehensive picture of all the demands forces face undermines its ability to know what resources forces need

1: PAC recommendation: *The Department should develop better measurements of both crime and non-crime demand for police services and use these to inform their bid for funding in the next Spending Review. HMICFRS should write to the Committee setting out insights of the demands on police services drawn from the first set of Force Management Statements within three months.*

1.1 The Government agrees with the Committee's recommendation.

Para 1.1 above amends the response published on 28 January which stated that the Government disagreed with the Committee's recommendation.

Target implementation date: December 2019

1.2 The Government considers that improved demand data and analysis is critical for more effective policing as demand changes. Improvements must be adopted at force level and nationally and can be used for local operational decisions, as well as to inform broader national priorities.

1.3 The Government undertook a relative analysis in 2017 of the 43 forces using indicators of demand, performance, and financial pressure. The Department is doing further analysis of police demand with police experts as part of developing the evidence base for longer term police resourcing and capability decisions; this has also highlighted potential gaps. The Department is drawing on the work of Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS), including Force Management Statements (FMSs), that were introduced in 2018 for the first time. During the evidence session on 10 October, Sir Tom Winsor explained that he expects Force Management Statements to be fully operational from 2020. Over the next year, the Department will be working closely with HMICFRS to ensure FMSs become consistent nationally and provide a rich source of demand data.

1.4 The first set of FMSs were an initial step, which inevitably included a degree of inconsistency. The next return of FMSs is expected in late 2019. To maximise the value of the insights to be shared with the Committee, the Department has agreed with HMICFRS that it will commit to writing jointly to the Committee once the second set of FMSs have been completed to update on how the Statements (and the main insights from them) will be incorporated into our ongoing demand management work, along with the progress that has been made in terms of improving the quality and consistency of the service's overall understanding of its demand.

1.5 The Department will therefore write further to the Committee once the second set of FMSs has been issued by the Inspectorate to provide further detail as to how this is informing our continuing work on demand.

2: PAC conclusion: Forces are finding it harder to deliver an effective service and there is a risk that problems with forces' financial sustainability may not be spotted soon enough.

2: PAC recommendation: *Following on from its 2017 assessment of financial resilience, the Department should immediately establish a regular review process for assessing forces' financial sustainability. It should set out how it will use information and data collected by HMICFRS to inform its assessment.*

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2019

2.2 The Government agrees with the importance the Committee has placed on financial resilience and sustainability. Following the Department's 2017 review into demand, performance and financial pressure, the Department is working more closely than ever with the police sector on understanding and analysing force financial resilience. It has established regular senior level meetings with leaders from across the police sector to coordinate work with the police to develop the evidence base for longer term police resourcing and capability decisions. As part of this process, the Department is developing an analysis of police demand and financial sustainability of forces with technical experts in policing, including chief finance officers. The first stages of this work are focusing on developing a suitable process for reviewing force resilience, including a diagnostic tool, which will be tested with chief finance officers. This will be informed by data collected by HMICFRS, as well as work by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Ministry of Housing, Communities and Local Government, and published reserves strategies.

2.3 As soon as this process is agreed, it will become business-as-usual work for the department and will be refreshed and updated on a routine basis.

2.4 The Department will write again to the Committee once the process for assessing force financial resilience has been developed further.

3: PAC conclusion: Even though the Department's approach to allocating funding to Commissioners has been out-of-date and ineffective for several years, the Department still has no firm plan to change it.

3: PAC recommendation: *The Department must urgently commit to reviewing the funding formula, and after consultation, deploy a new funding formula as soon as practicable.*

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2022

3.2 The Government undertook substantial work with police stakeholders in 2016 and 2017 to develop the technical aspects of a potential new funding formula. Good levels of technical progress were made by early 2017. This work was paused in summer 2017, following Ministers' decision to focus the department's work on overall changes in demand on the police, and looking at whether the overall quantum of funding for policing was adequate ahead of the 2018-19 police funding settlement. The Minister for Policing & the Fire Service spoke to every police force in England & Wales before deciding to provide greater financial certainty to enable planning for 2018-19 and 2019-20 rather than immediately continue work on a revised formula. However, at the same time, the Minister has made clear the importance of reviewing the funding formula and that that the most appropriate point to consider that would be in the context of the Spending Review.

3.3 The Government has agreed that a review of the funding formula is required and already committed that any new formula would be subject to a full public consultation. Lessons from previous work to review the funding formula emphasise the importance of clarity on the overall quantum of funding, dedicated resource from Government and the sector, and certainty for the service in successfully undertaking and implementing a review. The Department does not assume that changing the funding formula is a silver bullet for improving force financial resilience. Police and Crime Commissioners and their predecessors have made long term choices in areas like precept based on the current model. It is essential that any change in the funding formula is well planned, with proper transition arrangements to ensure that the Department does not implement changes which could leave a force financially unsustainable.

3.4 The Department's priority now is to create an evidence base with the sector to determine the overall size of funding to be provided to the police service. The Department expects the 2019 Spending Review will include an assessment of the quantum of funding likely to be required to deliver reform of the funding formula, while ensuring all police forces remain financially sustainable. This will then enable the further detailed technical work that is required to review and implement changes to the funding formula.

4: PAC conclusion: *The Department takes away 11% of police funding to fund national programmes, but we are not convinced that this 'top-slice' on funding is used effectively and projects face a 'cliff edge' when funding runs out.*

4: PAC recommendation: *The Department should set out how it plans to improve the delivery of national projects, in particular by streamlining its processes and fully engaging with forces and others when developing support products that will be used by them.*

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The Department is running an ambitious portfolio of programmes to improve the national technology capabilities available to policing. This includes the Emergency Services Mobile Communications Programme creating a single platform for critical voice and data. Home Office Biometrics provides a single platform for fingerprint, facial recognition and DNA. The National Law Enforcement Data Programme provides access across policing to national police information as well as sharing intelligence across forces. The National Automatic Number Plate Reader (ANPR) Service will unite all local ANPR systems into a single national system, while the Home Office continues to build out the capabilities of the national Child Abuse Image Database.

4.3 Together these programmes will go a long way towards improving capability reaching the operational frontline, including a much greater ability to share data, to consume it over mobile platforms as well as modernising and reducing the running costs of the legacy systems. The Department is always looking to improve the running of its programmes.

4.4 The Department works closely with the Police ICT company, National Police Technology Council and Business Change Council, and other policing stakeholders to assist them with their approach to technology and ensure a robust approach to the 2019 Spending Review. At a programme level, there is extensive user representation on programme boards and the Department has brought together a group of Chief Constables and Police Crime Commissioners (PCCs) to review the technology financial reallocation, including expected outcomes, and to seek advice on prioritisation set against a backdrop of operational requirements and risk appetite. This reflects our continued commitment to work closely with the user community, thus ensuring that what the Department delivers will meet their expectations and enables maximisation of benefits.

5: PAC conclusion: The Department does not have its own national, long-terms strategy for policing and as a result there is no clarity about how it will support forces to deliver Policing Vision 2025.

5: PAC recommendation: *Within 12 months the Department should develop its own national strategy to complement Policing Vision 2025, setting out what support forces can expect from the Department in the context of a local accountability model, which activities will continue to be undertaken and funded at a national level, and why.*

5.1 The Government disagrees with the Committee's recommendation.

5.2 The Department continues to work closely with policing to do all it can to ensure they are appropriately equipped to meet the future challenges and aims set out in the Policing Vision 2025 and beyond. That is why the Department is undertaking a significant joint programme of work with policing to prepare for the longer terms challenges the police face, including substantial pieces of work on demand and financial resilience. The Home Secretary has committed to prioritising police funding at the Spending Review, which will set budgets for the longer term. Therefore, the Department does not believe it is the right time to commit to developing a Home Office national strategy when this collaborative work is underway. As part of the collaborative CSR process the department will be discussing with police what needs to change in order to deliver on Vision 2025 and to improve the effectiveness and productivity of our police system. That includes discussion of what national capabilities need to be added or strengthened, and where those capabilities are best located. We also expect to have a common strategic plan in relation to harnessing the potential of digital technology and improving support for front line officers.

5.3 The Police Reform and Transformation Board (PRTB) was established and is jointly run by the APCC and NPCC to bring together key members of the policing community to oversee the transformation of policing, review progress against the aims of the Policing Vision 2025 and to help enable PCCs, Chief Constables and senior law enforcement leadership to take forward police reform. The Department plays an active part on the PRTB to support its role to oversee the structure, delivery and funding of police reform and transformation work. Underpinning the Vision, the Police Transformation Fund (PTF) supports a reform portfolio, investing in major national programmes commissioned and delivered by the sector that deliver technology change at scale; increase capability including to tackle serious and organised crime, further progress workforce reform and support more coordinated working arrangements both within policing and with other partners.

5.4 Since the Vision was published, 110 projects have been awarded over £330 million of PTF funding. The reform portfolio will continue to develop and evolve as policing delivers nationally the services developed by the reform programmes into forces and building up the police ICT company to drive further efficiencies.

5.5 The Department introduced directly elected and accountable PCCs to ensure local communities have a stronger voice in policing in their area. PCCs have brought real local accountability to how Chief Constables and their forces perform and are taking a lead role in driving collaboration between forces, other emergency services and local partners to deliver more effective services and better value for money for the taxpayer

Seventy-Second Report of Session 2017-19

Department of Health and Social Care

Mental health Services for children and young people

Introduction from the Committee

One in eight five to 19 year olds are thought to have a diagnosable mental health condition. According to a recent NHS survey, the number of five to 15 year olds with a mental disorder has increased over time: rising from 9.7% in 1999 and 10.1% in 2004 to 11.2% in 2017. Mental health issues affect the life chances of individuals in many ways, including their physical health, education and work prospects. The Department of Health & Social Care (the Department) is responsible for mental health policy. NHS England oversees the commissioning of NHS-funded services, either directly or through local clinical commissioning groups. In 2017–18 NHS England and local groups spent around £1 billion on children and young people’s mental health services. A range of other bodies—including in schools, public health, local authorities, social care and youth justice services—also have an important role to play in supporting children and young people’s mental health. Launched in March 2015, Future in Mind is the government’s cross-departmental vision for children and young people’s mental health services and support. Currently, a number of programmes take forward these ambitions, including: the NHS’s Five Year Forward View for Mental Health (the Forward View); the accompanying workforce development programme Stepping Forward to 2020/21 (Stepping Forward), led by Health Education England; and joint work by the Department and the Department for Education in response to Transforming Children and Young People’s Mental Health Provision: a Green Paper (the Green Paper).

Based on a report by the National Audit Office, the Committee took evidence, on Wednesday 31 October 2018 from the Department of Health and Social Care. The Committee published its report on 11th January 2019. This is the Government response to the Committee’s report.

Relevant Reports

- NAO report: [Improving children and young people’s mental health services](#) – Session 2017-19 (HC 1618)
- PAC report: [Mental health services for children and young people](#) – Session 2017-19 (HC 1593)

Government responses to the Committee

1: PAC conclusion: *Most young people with a mental health condition do not get the treatment they need, and under current NHS plans this will still be true for years to come, while many face unacceptably long waits for treatment.*

1a PAC recommendation: *From April 2019 to April 2022, the Department and NHS England should provide annual updates to the Committee on:*

- ***the number of young people who:***
 - ***request or are referred for treatment (i.e. number of young people who request a CAMHS appointment);***
 - ***whose requests/referrals are accepted; and***
 - ***who subsequently receive treatment, and how long they had to wait;***
- ***the proportion of young people with a diagnosable condition who receive NHS-funded mental health services;***
- ***waiting times across the range of children and young people’s mental health services.***

1.1 The Government agrees with the recommendation.

Recommendation implemented.

1.2 In terms of the number of young people who are referred: these data are [published monthly by NHS Digital](#). For the latest period for which data is available, there were 255,855 open referrals in children and young people's mental health services at end of October 2018.

1.3 In terms of the number of young people who subsequently receive treatment: NHS Digital publish the [number of children and young people in contact with community-based and inpatient mental health services monthly](#). The Department considers that this also indicates the number of young people whose requests/referrals are accepted. For the latest period for which data is available, there were 227,845 people in contact with children and young people's mental health services at the end of October 2018. Such contacts may include referrals which did not result in an attendance with a service or treatment being received. This data is being reviewed to ensure that they capture all NHS funded activity.

1.4 The figures for number of open referrals and number of children and young people in contact with children's mental health services are a snapshot of the caseload by month. Monthly statistics may be affected by seasonality and data quality fluctuations; however, these are more informative than annual figures which have been affected by changes to the coverage of the data collected. Aggregating the monthly data would not give a true or comparable estimate of the total number of children and young people referred or treated during that time. NHS Digital are undertaking further development work to fully develop all the pathways described in the *Five Year Forward View for Mental Health Implementation Plan*. The Department will be better able to supply more reliable statistics when new measures are developed and published.

1.5 In terms of the length of time young people had to wait to receive treatment: the Department expects this to be published when a clear pathway or standard has been established. *Transforming children and young people's mental health provision: a Green Paper* included a commitment to test approaches that could deliver four week waiting times for access to children and young people's mental health support in the NHS. *The NHS Long Term Plan* confirmed this commitment, ahead of introducing new national waiting time standards for all children and young people who need specialist mental health services.

1.6 In terms of the proportion of young people with a diagnosable condition who receive NHS-funded mental health services: NHS Digital have produced a new estimate of the proportion of children and young people in England with a diagnosable condition within the "Mental Health of Children and Young People" 2017 prevalence survey – in 2004, 10.1% of children and young people aged 5 to 15 years had a diagnosable mental health condition, compared to 11.2% in 2017. NHS Digital will also be validating the number of children and young people accessing NHS-funded community based mental health services during 2018-19 and will publish this in July 2019. The Department considers that this will indicate the number of young people whose request/referrals are accepted.

1.7 In terms of waiting times across the range of children and young people's mental health services: NHS England currently publishes [waiting times for children and young people with an eating disorder](#) and [early intervention in psychosis \(EIP\) services](#). For the latest period for which data is available, 76.7% of patients started EIP treatment within two weeks in December 2018, while for eating disorders, 80.7% of children and young people started urgent treatment within one week and 86.8% started routine treatment within four weeks in Q3 2018-19, against a standard of 95% by 2020/21. NHS Digital are currently working with NHS England to improve the quality of data held by NHS Digital, with the intention of NHS Digital becoming the source of these statistics in future. As stated in 1.4, the Department anticipates these data being published when a clear pathway or standard has been established; the development of an overall standard is dependent on the learning from the four-week wait pilots announced as part of "Transforming Mental Health Services for children and young people; a Green Paper".

1b PAC recommendation: From April 2019 to April 2022, the Department and NHS England should provide annual updates to the Committee on:

- **progress in implementing and evaluating the pilot schemes for the Mental Health Support Teams in schools.**

1.8 The Government agrees with the Committee's recommendation.

Target implementation date: April 2020

1.9 The Department will provide annual updates to the Committee on progress in implementing and

evaluating the pilot schemes for the Mental Health Support Teams in schools from April 2020. The first update is given below.

1.10 The Department has made very good progress in implementing the Mental Health Support Teams and is on track to deliver in line with the commitments in the Green Paper. In December 2018, the Department announced 25 trailblazer areas to test out the proposals set out in the Green Paper, 12 of which will test out a four-week waiting time standard. 220 trainees to staff the first wave of teams start the new “Educational Mental Health Practitioner” courses in January and February 2019. Local services will ensure that the new teams are supervised by appropriately experienced staff. The teams will become operational during 2019.

1.11 The Department, with the Department for Education, will commission a robust evaluation to develop an understanding of the costs, benefits and implementation challenges of the Mental Health Support Teams, as well as gathering and sharing best practice to feed back further rollout of the teams. NHS Digital are currently supporting NHS England in the development of data collection and reporting requirements for the implementation and evaluation of the pilot schemes for the Mental Health Support Teams in schools. All Green Paper pilot areas will be expected to flow data to the Mental Health Services Data Set (MHSDS) as part of their commission by the NHS.

1.12 The Department will commission the National Institute for Health Research to carry out a full evaluation of the plans set out in *Transforming Children and Young People’s Mental Health Provision: a Green Paper*. The Department will provide an update again to the committee in April 2020.

1c PAC recommendation: *The first update should also include current understanding of the financial and human cost, and longer-term impacts, of providing no, or delayed, treatment for children and young people, and the steps being taken by the Department and NHS England to address these impacts.*

1.13 The Government agrees with the Committee’s recommendation.

Recommendation implemented.

1.14 Our current understanding emphasises that the case for change is clear. For example, the most up-to-date evidence shows that for mental health disorders the annual short-term costs of emotional, conduct and hyperkinetic disorders among children aged 5 to 15 in the UK are [estimated to be £1.58 billion and the long-term costs £2.35 billion](#). Similarly, the wider costs of mental health to the UK’s economy are estimated to be [at least £70bn](#). In terms of the human cost for children and young people: 11-16 year olds with a mental disorder were [more likely to drink alcohol more frequently, try a cigarette and engage with illicit drugs](#). Likewise, the effects of poor mental health on individuals and families includes [lower educational attainment, along with significantly shorter lifespan and poor quality of life](#).

1.15 The Department has an extensive programme of work underway to improve support for children and young people’s mental health as a result of the current understanding of the scale of its impact. Following the case made by *Future in Mind*, NHS England’s *Five Year Forward View for Mental Health* set out a programme of transformation of children’s mental health services. *Transforming Children and Young People’s Mental Health Provision: a Green Paper*, jointly published with the Department for Education in December 2017, then set out plans to improve mental health support in and near schools and colleges. *The NHS Long Term Plan*, published in January 2019, commits to a further expansion and transformation of children’s mental health services. A ‘national implementation programme’, due to be published in Autumn 2019, will set out more details of how the commitments in the *NHS Long Term Plan*, including on children’s mental health, will be taken forward.

2: PAC conclusion: *Getting the right workforce in place is the biggest barrier to the government’s ambitions for children and young people’s mental health services.*

2: PAC recommendation: As part of the annual update to the Committee, the Department, NHS England and Health Education England should report on its progress in expanding the children and young people's mental health workforce, setting out any changes they may have made to plans or targets and knock-on effects to other parts of the Five Year Forward View. It should also include an update on recruitment and retention rates for the mental health workforce and make an assessment on any knock-on effect on other professions e.g. nursing and midwifery.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2020

2.2 NHS Digital collects and [publishes workforce data on a monthly and quarterly basis](#) that can be broken down to look at doctors specialising in child and adolescent psychiatry.

2.3 '[Stepping Forward: the mental health workforce plan for England](#)' published in 2017 set out a high-level road map for regions, Sustainability and Transformation Partnerships (STPs) and local areas from which to build their regional workforce plan reflecting local needs and strengths. NHS England has made clear that all STP planning for future years must include local expansion plans to recruit and retain mental health staff, including the children and young people's mental health workforce. Health Education England, NHS England and NHS Improvement continue to work with STPs to review and refine these STP regional workforce plans. The Mental Health Workforce Dashboard will be used to monitor delivery against the STP plans. The dashboard is the responsibility of the pan-ALB Workforce Delivery subgroup who are making improvements to its quality and consistency

2.4 Health Education England is also working with stakeholders and NHS Benchmarking to re-commission a workforce data collection specifically for children and young people's mental health that covers both the NHS-delivered and NHS-commissioned services (non-NHS services). This data collection is aimed at producing improved children and young people's workforce data accuracy and availability.

2.5 In terms of workforce retention, NHS Improvement and NHS Employers have been rolling out a comprehensive package to support improvements in retention, including masterclasses and improvement resources designed to facilitate learning between trusts. The programme also involves a targeted Direct Support Programme to ensure all mental health trusts focus on retention and mental health trusts are given the tools required to drive improvements in retention. This has involved NHS Improvement working with trusts to develop detailed 'Improvement Plans' on retention. From the start of this programme national turnover rates of clinical staff in mental health trusts have improved from 14.3% to 13.5% (this includes churn and NHS leavers). This reflects mental health trusts' increased focus on retention.

2.6 *The NHS Long Term Plan* builds on the commitments made in the *Five Year Forward View for Mental Health* to increase the NHS mental health workforce. NHS England and Health Education England will jointly develop a children and young people's mental health delivery framework for workforce transformation and progress will be reported as part of the delivery of the NHS Long Term Plan. *The NHS Long Term Plan* includes a commitment to publish a workforce implementation plan in 2019-20 and this is being led by Baroness Harding and Julian Hartley.

3: PAC conclusion: Tackling mental health issues among children and young people requires significant cross-departmental co-operation, but current approaches do not ensure that this co-operation happens in practice.

3: PAC recommendation: By April 2019, the Department should lead on co-ordinating a comprehensive, practical and long-term cross-departmental plan which sets out how the government will achieve the improvements to children and young people's services and support, as envisaged in *Future in Mind*. This does not need to be delivered as a single programme of work but should clearly set out what each department is responsible for and be specific enough to hold the contributing departments to account for the delivery of the plan.

3.1 The Government disagrees with the Committee's recommendation.

3.2 The Department supports the intent behind this recommendation and is considering the benefits of developing a coherent cross-departmental programme in due course. However, doing so would require considerable time and resource to do it justice and our focus at present is on a wide range of delivery and policy priorities which we will set out briefly here. NHS England set out a clear plan for improvements in the NHS in the *Five Year Forward View for Mental Health Implementation Plan*, building upon the recommendations of *Future in Mind* to improve children and young people's mental health. The Department remains committed to this plan and has since made commitments to go significantly further, particularly in relation to mental health and education via *Transforming Children and Young People's Mental Health Provision: a Green Paper*, jointly published with the Department for Education in December 2017, and there are a wide range of important new commitments outlined in the *NHS Long Term Plan*. The Department is also taking forward significant work bilaterally with several other government departments including the Ministry of Justice on the independent review of the Mental Health Act, the Department for Digital, Culture, Media and Sport on social media and a cross-government strategy on suicide prevention which was published 22 January 2019.

3.3 Both the children and young people's mental health Green Paper and *Future in Mind* identified the need for cross-organisational working. As a result of *Future in Mind*, since 2015, each Clinical Commissioning Group (CCG) area across England worked with partners in Children's Services, the voluntary sector, providers and children, young people and parents to develop Local Transformation Plans, setting out how local agencies will work together to improve children and young people's mental health across the full spectrum of need. Local Transformation Plans are refreshed annually and report into local governance structures including Health and Wellbeing Boards. The Government convenes regular cross-Whitehall Inter-Ministerial Groups to ensure senior focus on mental health in policies across Government.

4: PAC conclusion: Action to improve prevention and early intervention, which are vital in tackling mental health problems among children and young people, have been slower than work to improve NHS treatment.

4: PAC recommendation: As part of its cross-government planning, the government, led by the Department, should prioritise specific improvements in prevention and early intervention, including, and in addition to, the work currently being undertaken on the outcomes of the Green Paper, taking an evidence-based approach. They should also monitor changes in other departments policies (for example, the Ministry of Housing, Communities and Local Government and the Department for Work and Pensions) to anticipate their impact on children's mental health.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2019

4.2 The Secretary of State for Health has made "prevention" one of his top three priorities, along with technology and workforce. The Department is interested in the impacts of wider Government policies on health, whether that be physical or mental health, and across the whole life-course. To take forward the Secretary of State's personal priority, the Department will be publishing a Prevention Green Paper, which will look further at what more can be done on prevention and early intervention.

4.3 *Transforming Children and Young People's Mental Health Provision: a Green Paper*, jointly published with the Department for Education in December 2017, specifically aimed to improve prevention and early intervention for children and young people, and brings together health and education to provide early intervention mental health support for children. As described in the children's mental health Green Paper, Public Health England has established a Special Interest Group on prevention, bringing together academics, practitioners and professionals. This Group works to identify the key prevention evidence and its relevance to practice. The Group will also highlight the evidence gaps and make recommendations for these to be addressed through further research. Public Health England are working to publish outputs from the work of the Group before the end of March 2019.

4.4 *The NHS Long Term Plan* commits to improving interventions in the community to support mental health, with the intention that this will improve prevention and early intervention.

4.5 The Department regularly monitors changes in other departments' policies to anticipate their impact on children's mental health.

5: PAC conclusion: *The NHS has committed to achieving 'parity of esteem' between mental and physical health services, but has not defined what the practical, meaningful outcomes are in terms of access to services, waiting times, or patient outcomes.*

5: PAC recommendation: *In or alongside its ten-year plan, the NHS must set out clearly what it wants to achieve for children and young people's mental health services, including defining clearly what 'parity of esteem' means in practice, the criteria it will use to measure progress and what data/information it requires.*

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 *The NHS Long Term Plan* sets out how it intends to improve services that support children and young people including those who require mental health services. The National Implementation Framework, to be published in Spring 2019, will provide further information on how the commitments set out for children and young people's mental health in the Long Term Plan will be implemented. This will, in turn, support local areas to develop comprehensive 4-year plans by Autumn 2019. They will feed into the 'national implementation programme', being published in the Autumn.

5.3 The NHS Long Term plan commits to grow investment in mental health services faster than the overall NHS budget. This creates a new ringfenced local investment fund worth at least £2.3 billion a year by 2023-24. Further, the NHS made a new commitment that funding for children and young people's mental health services will grow faster than both overall NHS funding and total mental health spending. This investment will transform and expand services for people with mental health conditions, building on the Government's current ambitious targets. By 2023-24 an extra 345,000 children and young people aged 0-25 will receive mental health support in the community and in schools and colleges, with access to round-the-clock mental health crisis care through NHS 111.

6: PAC conclusion: *Significant data weaknesses hamper the NHS's understanding of progress against its current improvement programmes.*

6a: PAC recommendation: *By April 2019, the NHS should set out to the Committee what arrangements are in place to collect the data it needs to:*

- *set up a robust baseline, and monitor progress on children and young people's mental health services in the ten-year plan for the NHS*

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 The Mental Health Services Dataset (MHSDS) started collecting children and young people's mental health data in January 2016. It captures patient level information, enabling NHS Digital to track patients, including children and young people, as they move through the system. This is the first national, patient-level dataset on children and young people's mental health services and the MHSDS now includes over 99% of mental health activity, with continuing work to increase this further.

6.3 NHS Digital already publishes a set of monthly statistics from the MHSDS and quarterly measures to support the ambitions and recommendations laid out in the *Five Year Forward View for Mental Health*. On 30 November 2017 NHS Digital published [annual statistics on the use of mental health, learning disabilities and autism services for 2016-17](#) which, for the first time, included the use of mental health services for children and young people.

6.4 NHS England is working with NHS Digital to deliver the commitment to repeat the Strategic Data

Collection Service for access to children and young people's mental health services, undertaken in 2018, to further validate the data collected through the MHSDS. The Department anticipates this data validation exercise will take place in July 2019.

6.5 NHS Digital is working with NHS England and other arm's length bodies to improve the quality of mental health data. Targeted work is also underway to enable the retirement of a number of interim collections. Previous baselines have used the 2004 children and young people's mental health prevalence survey. This survey has now been updated and was published on 22 November 2018. As set out in 5.2, the National Implementation Framework and the 'national implementation programme' will include fuller details on how plans will be implemented.

6b: PAC recommendation: *By April 2019, the NHS should set out to the Committee what arrangements are in place to collect the data it needs to:*

- ***reliably measure patient outcomes***

6.6 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.7 NHS England are leading on the development of children and young people's outcome measures. NHS England has been collecting patient outcomes data in shadow form in 2018-19 to prepare for future roll out of outcomes data collection through the Mental Health Services Data Set by April 2020. NHS Digital will work with NHS England to agree the approach to publishing these outcomes. The timeline for publication has not yet been agreed but is likely to be from 2020 onwards.

6c: PAC recommendation: *By April 2019, the NHS should set out to the Committee what arrangements are in place to collect the data it needs to:*

- ***fully evaluate approaches in the Green Paper pilot areas to inform the national roll-out of services, including information from outside the NHS.***

6.8 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.9 The Department, with the Department for Education, will commission a robust evaluation to develop an understanding of the costs, benefits and implementation challenges of the Mental Health Support Teams, as well as gathering and sharing best practice to feed back into services. NHS Digital are currently supporting NHS England in the development of data collection and reporting requirements for the implementation and evaluation of the pilot schemes for the Mental Health Support Teams in schools. All Green Paper pilot areas will be expected to flow data to the Mental Health Services Data Set as part of their commission by the NHS.

6.10 The Department is working with the Department for Education to determine the best way to capture and evaluate the impact of the children and young people's Green Paper on schools and education. As part of the monitoring and evaluation of the Green Paper the Department will look at local service provision as a baseline with the aim of assessing the impact of the new proposals on existing local provision.

6.11 The Department will commission the National Institute for Health Research to carry out a full evaluation of the Teams. The Department will provide an update again to the committee in 2020.

Seventy-Third Report of Session 2017-19

Department for Education

Academy accounts and performance for year ended 31 August 2017

Introduction from the Committee

There are now around 7,500 academy schools in England, educating about 3.8 million pupils. Academy schools are part of charitable bodies called academy trusts. Most academy schools are in trusts that manage more than one school. Academy trusts have more freedoms and responsibilities than local authority maintained schools. They can, for example, set staff pay and conditions, and determine their own curriculum, and they are directly responsible for financial as well as educational performance. Academy trusts are directly funded by, and accountable to, the Department via the ESFA. The Department provided funding of £20 billion to academy trusts in 2017–18.

In November 2018, the Department published the second academy sector annual report and accounts. This consolidated the accounts of all 3,054 academy trusts and set out the financial position and performance of the academy school sector for the academic year from 1 September 2016 to 31 August 2017. Because of additional evidence provided by the Department to support the recognition and valuation of land and buildings, the Comptroller & Auditor General reduced the extent to which his audit opinion was qualified on the 2016/17 academy sector annual report and accounts. The Department has committed to publish the accounts for 2017/18 before the summer Parliamentary recess in 2019 and to address the remaining issues in order to achieve an unqualified audit opinion.

Reports and related documents

- DFE Report: [Academy Schools Sector in England: consolidated annual report and accounts - year ended 31 August 2017](#) - Session 2017-19 (HC 1701)
- PAC report: [Academy Accounts and Performance](#) – Session 2017-19 (HC 1597)

Government Response to the Committee

1: PAC conclusion: Academy trusts do not make enough information available to help parents and local communities understand what is happening in individual academy.

1: PAC recommendation: The ESFA should include in the Academies Financial Handbook 2019 requirements for academy trusts to make available financial information at school level and to be transparent about governance and decision-making at all levels of the trust.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 Academy trusts must already make financial information available at school level in their annual audited accounts for several years. The ESFA describes these requirements in the Academies Accounts Direction, which trusts must comply with under their funding agreement and the Academies Financial Handbook. The disclosures required include:

- the fund balances held by each constituent academy in a multi-academy trust including, where relevant, the actions being taken to eliminate any deficits;
- the amounts spent by each constituent academy across different expenditure headings; and
- the amounts contributed by each academy to central services such as HR, finance etc.

1.3 In relation to governance and decision-making, the Academies Financial Handbook already states in paragraph 2.10.1 that academy trusts must provide details of their governance arrangements in the governance statement published with their annual audited accounts. This includes setting out what the board has delegated to committees and, in multi-academy trusts, to local governing bodies at its constituent academies.

1.4 Trusts must publish on their website up-to-date details of their governance arrangements including the structure, membership and remit of the board, their committees and local governing bodies.

Whilst boards cannot delegate overall responsibility for their trusts' funds, under the Handbook boards must also approve a scheme of delegation of financial powers

1.5 The Department's [School Financial Benchmarking Service](#) also allows parents to view school level data about income, expenditure and the school's workforce and compare their spending to similar schools in the trust and the local area.

2: PAC conclusion: *The Department is not adequately meeting the needs of users in presenting financial information about academy trusts.*

2: PAC recommendation: The Department should:

- *write to us by March 2019 setting out the work it has done to understand better who the users of the academy sector annual report and accounts are and what information they need.*
- *include in the annual report for the academy schools sector for 2017/18 an analysis of the financial performance of academy trusts of different sizes and geographical locations, and an analysis of trends in trusts' in-year deficits as well as cumulative deficits.*

2.1 The Government agrees with the Committee's recommendation.

Target Implementation date: July 2020

2.2 The Department will continue to seek ways to improve the transparency and usability of the academy sector annual report and accounts (SARA) where it is practical to do so. It will seek to incorporate additional analysis in the 2017/18 SARA (to be published in June 2019) where this is available, and look to build on this for the subsequent year. Where it is not possible to provide the information easily with the constraints of the SARA, the Department will further look to improve signposting to where similar information can be found.

3: PAC conclusion: *It is not clear to whom parents can turn when they need to escalate concerns about the running of academy schools and academy trusts.*

3: PAC recommendation: The Department should:

- *by the start of the 2018/19 school year, ensure that all academy trusts have published complaints procedures, including a named individual for parents to escalate concerns to; and*
- *by March 2019, make clear and easily accessible the name and contact details of whom in the Department parents should turn to if their concerns are not addressed adequately by the academy trust.*

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 All academies must make a written complaints procedure available to parents. The Department recommends that academies publish their complaints procedure online. Where the ESFA becomes aware that academies are not following the requirements, it works with the academy trusts to rectify this. ESFA does not require that academies' complaints procedures include a named individual, mainly because the contact point or level at which the concern is raised could be different depending on the nature of the complaint. ESFA is clear that academies complaints procedures must set out a route of escalation for complaints.

3.3 The Department has a published online contact point for members of the public, including parents, to get in touch with the Department with any questions, comments or concerns (including whistleblowing). This includes situations where a parent is not satisfied with an academy trust's handling of their complaint. The Department does not provide a single named contact at the point of a parent's initial contact, because the individual that handles the parent's case might differ in accordance with the

availability and expertise of staff. Once a staff member has commenced an investigation, they will remain the point of contact for that complaint except in unforeseen circumstances.

4: PAC conclusion: *Where there have been serious failings at academy trusts the Department has not had an effective regime to sanction the academy trustees and leaders who were responsible.*

4: PAC recommendation: *The Department should write to us by March 2019 to set out what sanctions it has imposed to date, and explain how it plans to strengthen the sanctions regime to deter, punish and prevent malpractice. In strengthening the sanctions regime, the Department should work with the Charity Commission, Companies House and the Insolvency Service.*

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 As noted in its letter of March 2019 to the Committee, the Department has a range of sanctions under education, charity and company law to address cases involving financial or governance misconduct. It will always consider using these powers where there is evidence to suggest that individuals have engaged in misconduct and are unsuitable to be involved in the management of schools. The Department has improved its internal processes so that it can identify and investigate alleged misconduct and is currently considering several potential cases under Section 128 of the Education and Skills Act 2008.

4.3 Where referrals are received, the Teaching Regulation Agency, acting on behalf of the Secretary of State to regulate the teaching profession, is able to consider allegations of serious misconduct made against any teacher who is found to have committed serious misconduct, including serious financial or other forms of malpractice.

4.4 Decisions to notify the police are taken at the point where the Department has sufficient evidence of potential fraud and or criminality. This enables early advice to be taken on progressing the investigation, including, where appropriate, for the police to take over the investigation. The Department continues to liaise with the police throughout their investigation through to resolution, whilst undertaking any additional necessary actions to improve control and prevent any further loss to public funds.

5: PAC conclusion: *The ESFA is not sufficiently transparent about the results of inquiries into concerns about the financial management and governance of academy trusts.*

5: PAC recommendation: *The ESFA should:*

- ***Publish, within two months of completing the work, the results of its inquiries into concerns about the financial management and governance of academy trusts.***

- ***On Bright Tribe specifically, the ESFA should write to us by March 2019 with the results of the investigations that the ESFA and the trust were undertaking when we took evidence.***

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented

5.2 The ESFA is committed to the transparency of its reporting of financial management and governance concerns at academy trusts and publishes outcomes of its investigations on gov.uk. The ESFA aims to publish within two months of completing its work. Where there is on-going police or regulatory activity ESFA takes advice on the timing of publication to ensure it does not jeopardise or prejudice any potential sanctions against those responsible for loss to public funds.

5.3 The ESFA provided an update to the Committee on the Bright Tribe Investigation work in its letter of March 2019.

6: PAC recommendation: *As part of its school inspections, Ofsted should examine and report on whether the quality of education and the outcomes schools achieve are being adversely affected by the need to make savings.*

6: PAC conclusion: Neither Ofsted nor the Education and Skills Funding Agency assesses the impact of funding pressures on the quality of education and the outcomes schools achieve.

6.1 The Government disagrees with the Committee's recommendation.

6.2 Ofsted's Chief Inspector responded to this recommendation at her oral evidence session with the Committee on 23 January 2019. Ofsted is unable to fulfil this recommendation within its current inspection regime. It is for the Department to consider whether the impact of schools' finances should be added to the scope of inspection.

6.3 To fulfil this recommendation, Ofsted would need to scrutinise a schools finances comprehensively to determine whether the school is prioritising well and spending efficiently. Only then, could Ofsted begin to attribute inadequacies in education standards to budget shortfalls, and therefore report on whether the quality of education and outcomes achieved were being adversely affected by the need to make savings. The Department does not currently have plans to require Ofsted to do this.

6.4 However, Ofsted is conducting a research project this year on school funding. The project will examine the decisions that school leaders make to balance budgets, and what they have based these decisions on. Ofsted will aim to gather qualitative evidence from a range of mainstream schools at primary and secondary phase, to identify the financial pressures schools are facing and to understand leaders' responses to those pressures. The project will also explore the impacts of financial pressures more widely in a school, which might not be indicated by attainment data or Ofsted ratings.

7: PAC conclusion: Nearly a quarter of schools have still not provided the information that the Department needs to understand fully the extent of asbestos in school buildings and how the risks are being managed.

7: PAC recommendation: In March 2019, the Department should name and shame those schools which did not meet the February 2019 deadline and which have therefore repeatedly failed to respond to its asbestos management survey.

7.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2019

7.2 The Department established the Asbestos Management Assurance Process (AMAP) to help improve our understanding of asbestos management in schools. This is so we and the Health and Safety Executive (HSE) can help responsible bodies (local authorities, governing bodies and academy trusts) to deal with this issue as effectively as possible.

7.3 It is the responsible body (local authority, governing bodies and academy trusts) that is responsible for ensuring asbestos in schools is managed in a manner that is compliant with the Control of Asbestos Regulations 2012. It is not the direct responsibility of the school.

7.4 This is why the AMAP requires the responsible body to provide an assurance declaration that their respective schools are compliant with the Control of Asbestos Regulations 2012. So irrespective of whether a school has replied or not, accountability rests with the responsible body.

7.5 Although the AMAP is a voluntary data collection, the Department has made it clear that all responsible bodies and their respective schools are expected to participate in the AMAP.

7.6 The Department will publish information about the responses to the Asbestos Management Assurance Process (AMAP) at responsible body and school-level. We expect to publish, as soon as the analysis is complete, in the next few months. That information will make it clear which bodies and schools have responded.

Seventy-Fourth Report of Session 2017–19

HM Treasury

Whole of Government Accounts for year ended 31 March 2017

Introduction from the Committee

The WGA is a unique document which provides the most complete and accurate picture available of the UK public sector finances. The WGA is a set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS), which brings together information on the financial performance and position of over 7,000 organisations across the UK public sector. In 2016–17, the WGA included net expenditure (total expenditure less income) of £98 billion and net liabilities (the difference between assets and liabilities) of £2.4 trillion. The Treasury published WGA 2016–17 on 28 June 2018, 15 months after the end of the financial year. The Comptroller & Auditor General again qualified his opinion on the 2016–17 accounts. The reasons for this included: the omission of some significant bodies from the accounts, including the Royal Bank of Scotland; inconsistent accounting policies across the organisations included in the WGA; qualifications owing to issues in the underlying accounts of organisations included in the WGA, including the Ministry of Defence and the academy school sector; and the impact of academy schools having a different financial year to the rest of government. The Committee has previously recommended that the Treasury: produce the WGA more quickly; make the accounts more useful and transparent; make the most of the value of government's assets; and be proactive in reducing the cost of its liabilities, such as those relating to clinical negligence.

Based on a report by the National Audit Office, the Committee took evidence, on 14 November 2018 from HM Treasury. The Committee published its report on 25 January 2019. This is the Government response to the Committee's report.

Reports and related documents

- HM Treasury report: [Whole of Government Accounts for year ended 31 March 2017 Session 2017-19](#) (HC 1091)
- [Report of the Comptroller and Auditor General on the Whole of Government Accounts 2016-17](#)
- PAC report: [Whole of Government Accounts](#) – Session 2017-19 (HC 464)

Government responses to the Committee

1: PAC conclusion: *The usefulness of the WGA remains limited by the time it takes to produce.*

1: PAC recommendation: *Treasury should write to the Committee by March 2019 with details of its plans and timetable to publish the WGA within nine months of the financial year-end. This should include its expectations of the publication dates of future WGAs and the timing of key milestones.*

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 The Whole of Government Accounts (WGA) is one of the most complex financial reporting projects in the world, consolidating the accounts of over seven thousand entities across three sectors (central government, local government and public corporations) and four nations. Moving from the current publication schedule to publishing by the end of the calendar year is a significant challenge. Many factors are outside the control of the Treasury. For example, there can be significant delays to the finalisation of any of the thousands of accounts which together make up the WGA, and this has in the past led to delays in publishing the WGA. The Treasury has been working hard with others to improve timetables for the finalisation of constituent accounts, and the submission to the Treasury of audited WGA returns.

1.3 The Treasury intends to publish the 2018-19 WGA by March 2020, two months earlier than this year. This will be achieved largely through improvements to the internal accounts production process. The key milestones for reviewing whether this is achievable are May 2019, when the 2017-18 WGA is due to be published and the Treasury team are scheduled to switch all their resources onto 2018-19, and the summer recess 2019, when all main departments, including the Department for Education, are due to publish their 2018-19 accounts (including the consolidated academies report). If the 2017-18 WGA can be published on time, and all departments meet the summer recess deadline, then we have a high degree of confidence that we can achieve the March 2020 target for the 2018-19 WGA. But delays to the publication of these accounts could delay the overall publication of WGA. In addition, the WGA returns will need to be audited, requiring prompt action from accounts preparers and auditors across all sectors.

1.4 Further improvements to the timeliness of WGA will require significant investment in new systems and processes. This is underway, and will support broader improvements to financial management across government. The new financial consolidation system for WGA is due to go live for the production of the 2019-20 accounts, and improvements in the efficiency of the system should support earlier publication and other long-term improvements. However, any delays in delivering this system may lead to delays in realising its benefits, and there will be an additional challenge in the first year of implementation, given the need to train accounts preparers.

1.5 The Treasury would like to publish the 2019-20 WGA by the end of 2020. It is too early to say whether that is a realistic ambition. If we can publish the 2018-19 WGA on time and successfully introduce the new financial consolidation system, and if colleagues across the WGA preparation community can produce their audited WGA returns on time, then we would have a good chance of meeting that ambition. The next milestone will be March 2020, when we will review the experience of preparing the 2018-19 WGA, and make an assessment of the most ambitious possible timetable for 2019-20.

2: PAC conclusion: *The Treasury does not fully understand how the WGA is used, which means that the WGA still does not provide the public and Parliament with the information they need to understand the public finances and hold government to account.*

2: PAC recommendation: *The Treasury should write to the Committee by March 2019, with details of how it plans to improve and extend the accounts commentary in future years. This should include how it plans to encourage the wider use of the WGA and engage with the public, academics and Parliament, and how further transparency will be provided.*

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

2.2 The Treasury has taken into account previous feedback from the Committee and other stakeholders. The WGA now includes information on regional spending, and the 'overview and performance analysis' is being improved to make it more informative and helpful, with more information provided on the action that the government is taking to manage some of the financial pressures highlighted in the WGA. This year it will also include data from a wider range of sources; it will highlight how particular features of the public finances are treated differently in the National Accounts and the WGA; and it will introduce maturity analysis of liabilities.

2.3 The Treasury is planning to seek direct feedback from users and readers of the accounts, to see what additional information they would like to see. This will be carried out through a survey launched alongside the publication of the 2017-18 accounts. The findings of this will be incorporated into future editions of the WGA.

2.4 The Treasury also intends to provide further transparency. Our experience is that some readers of the WGA expect it to include information or analysis which is in fact outside the scope of the accounts, and instead published elsewhere. So, starting with the 2017-18 WGA, the 'overview and performance analysis' will include a clear explanation of what the WGA is and what it is not; what important information is outside the scope of the WGA, even if it is very important to an accurate and overall understanding of the public finances and the public sector balance sheet; and where the reader can find that additional information.

2.5 The WGA itself is, of necessity given accounting conventions, a highly technical document. By extending and improving the accompanying 'overview and performance analysis', the Treasury hopes to make the WGA publication more accessible and informative, which should encourage more people to read and use it.

3: PAC conclusion: *Without additional detail in future, the WGA may not provide the comprehensive information that Parliament and the public expect on the impact of Brexit on the public finances.*

3: PAC recommendation: *The Treasury should write to the Committee by March 2019, detailing how it will present information on the impact of Brexit on the public finances in WGA 2017–18 and in future years, and ensure that the information it includes is comprehensive and easily understood.*

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 There is particular Parliamentary and public interest in the impact of Brexit on the public finances. The 2017-18 WGA will, in the formal section of the accounts, provide only limited information on this, as an inevitable consequence of accounting conventions. This is because the information provided relates only to the year 2017-18. In addition, the accounting standards do not require disclosure of expenditure by particular area of work, such as Brexit; and a large proportion of the cost will be staff costs, which again are not separately identified by area of work.

3.3 So the Treasury will this year provide a much fuller statement in the 'overview and performance analysis'. This will incorporate previous feedback and suggestions from the Committee to ensure the information is comprehensive and easily understood. It will explain what is included in the WGA, what is not, and why; with an explanation of the financial settlement with the EU, and the latest available estimate of its value; additional information on other payments to and receipts from the EU, and how they flow through the accounts; the latest information on departmental allocations for spending on EU exit preparation; and a summary of the government's analysis of the overall impact of EU exit on the economy and the fiscal position. The aim is to give the reader of the WGA a short and comprehensive summary of the many and varied channels through which EU exit can be expected to affect the public finances, even though much of that information goes beyond the scope of the 2017-18 WGA.

4: PAC conclusion: *Government is not yet making the most of its assets, and it remains to be seen whether Treasury's review of the public sector balance sheet will have a lasting impact on the public finances.*

4: PAC recommendation: *The Treasury should ensure that its balance sheet review has a long-term impact on the cost-effective management of government assets and liabilities. It should report to us how the benefits of the review will be monitored and reported; with the first update on progress by June 2019.*

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: June 2019.

4.2 The Treasury is working to ensure that the Balance Sheet Review has a long-term impact on the cost-effective management of government assets and liabilities. The Review has already made good progress as reflected in the announcements in the 2018 Autumn Budget. These included:

- retiring PFI/PF2 for new projects;
- reducing the government's inflation exposure through a gradual reduction in index-linked government debt;
- introducing stricter disclosure requirements for asset sales from the next financial year;

- committing to regular in-year statistical reporting of the entire public sector balance sheet in line with the IMF's Government Financial Statistics Manual in 2019;
- introducing new, stricter controls over the issuance of guarantees and other contingent liabilities;
- producing the first ever geo-spatial Digital National Asset Register of the government's £420 billion of property assets;
- announcing new debt management targets and measures for government departments; and
- publishing a report on 'Getting Smarter about Intellectual Property and other Intangible Assets in the Public Sector'.

4.3 The Balance Sheet Review is continuing to make progress. Further recommendations on the management of contingent liabilities and knowledge assets will be published this summer. The Treasury will be taking this forward in the forthcoming Spending Review and will write to the Committee in June with an update.

5: PAC conclusion: *We are concerned that the Treasury's lack of a clear plan for what will replace PF2 risks the financial burden falling on the taxpayer.*

5: PAC recommendation: *The Treasury should write to the Committee by March 2019, clearly outlining the range of financing structures available to fund capital expenditure in the future, and how it will appraise the cost and risk implications of these options to protect the public finances over the long-term.*

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 In ending the use of PFI and PF2, the Treasury has acknowledged questions raised by the Committee in previous reports¹ about their value for money and the substantial long-term financial commitments they created². The Treasury is not seeking to replace these models.

5.3 It should be noted that the burden of funding PFI and PF2 projects was always borne by the taxpayer through unitary payments made over the lifetime of a contract. It is for each responsible authority to determine which financing structures are appropriate for its capital projects, following the value for money guidance set out in the *Green Book*, the Treasury's business case guidance, and the standards set out in *Managing Public Money*. The Treasury carefully scrutinises all project proposals to ensure long-term costs and risks are minimised and adequately managed. Projects must demonstrate value for money to the taxpayer, taking account of costs, risks and benefits.

5.4 In the Spring Statement, the Chancellor announced a consultation on infrastructure finance. Chapter 3 of the consultation document describes the range of existing models and tools for supporting infrastructure investment. In assessing the cost and risk of these options, the Treasury will continue to use the methodology set out in the *Green Book*.

5.5 Proposals involving private finance must demonstrate that they are better value for money than a publicly financed or conventionally procured alternative. The Treasury remains open to private finance for government-funded projects, and is consulting on this as part of the Infrastructure Finance Review, as announced in the Spring Statement³. This review will inform both the 2019 Spending Review and the upcoming National Infrastructure Strategy – the Government's response to the National Infrastructure Commission's (NIC) first ever National Infrastructure Assessment. The Treasury will carefully scrutinise any future private finance structures to ensure they do not give rise to the same issues which arose with PFI and PF2.

¹ <https://publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/894/894.pdf>

² <https://publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/1201/1201.pdf>

³ <https://www.gov.uk/government/consultations/infrastructure-finance-review>

Seventy-Fifth Report of Session 2017-19

Public Accounts Committee

Pre-appointment hearing: preferred candidate for Comptroller and Auditor General

Introduction from the Committee

On 7 January 2019, the Government announced Mr Gareth Davies as the preferred candidate to take over as Comptroller and Auditor in General (C&AG) once the current incumbent's term ends on 31 May this year.

Following the precedent established in 2008, this Committee held a pre-appointment hearing with Mr Davies on Wednesday 16 January. At the hearing we questioned Mr Davies on his audit and professional experience, any potential conflicts of interest and the challenges facing the National Audit Office.

The C&AG is the head of the National Audit Office and, with the support of NAO staff, certifies the accounts of all government departments and many other public bodies. The C&AG also has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, with economy and value for money

PAC Report

- PAC report: [Pre-appointment hearing: preferred candidate for Comptroller and Auditor General – Session 2017-19 \(HC 1883\)](#)

1: PAC conclusion: *On the basis of the pre-appointment hearing, PAC are satisfied that Mr Davies has the professional competence and personal independence required of the Comptroller and Auditor General. We urge the House to support his appointment.*

Following this hearing, the next formal step is for the Prime Minister to table a motion in the House asking the Queen to appoint Mr Davies.

Government response to the Committee

The Government notes the Committee's report.

Seventy-Sixth Report of Session 2017-19

Local Government Spending

Ministry of Housing, Communities and Local Government

Introduction from the Committee

Local authorities provide a wide range of services; for example, parks, libraries, waste collection and temporary accommodation for homeless people. English local authorities spent £39.7 billion on providing services in 2016-17. Spending on social care is taking up an increasing proportion of this spend, leaving less for other services. Spending on services other than social care fell by 32.6% between 2010-11 and 2016-17. The overall levels of funding available to local authorities and the methodology for distributing funding is set by government. The Ministry of Housing, Communities and Local Government (the Department) has overall responsibility within central government for local authorities' funding. This includes bringing together information about the impact of funding reductions on financial and service sustainability, assessing the funding requirements of local authorities as part of spending reviews and supporting the financial sustainability of the sector by changing the overall funding framework if required. The Department supports HM Treasury on decisions about funding for local government, both long-term decisions at spending reviews and shorter-term decisions in between. We and previous Committees have scrutinised how the Department has fulfilled this role on several occasions since 2010, seeking assurance about service levels, service quality and financial sustainability. While the Department asserts that it has improved its understanding of the sector and its insight into the pressures it is under, it has not been open enough to demonstrate to us that this is the case and has rejected some of our recommendations for improvement.

On the basis of our previous report on the financial sustainability of local authorities, which followed reports by previous Committees, and Government responses to those reports, we took evidence from the Ministry of Housing, Communities and Local Government (the Department) about local government spending in England. The Committee published its report on 6 February 2019. This is the Government response to the Committee's report.

NAO and PAC Reports

- NAO report: [Financial sustainability of local authorities 2018 – Session 2017-19 \(HC 834\)](#)
- PAC report: [Local Government Spending – Session 2017-19 \(HC 1775\)](#)

Government responses to the Committee

1: PAC conclusion: Central government financial support for local government continues to be characterised by one-off, short-term initiatives, which do not provide value for money, rather than a meaningful long-term financial plan for the sector.

1: PAC recommendation: The Department should work with local authorities to collect and analyse evidence on the impacts on value for money and the implications for service users of providing funding through one-off funding streams announced late in the budgetary cycle rather than through long-term funding arrangements.

The Department should, within 12 months, write to the Committee detailing the findings from this work and how it will use this evidence base to ensure that both its own funding schemes and those of other departments are structured and announced in a way that delivers maximum value for money.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2020

1.2 Decisions taken by ministers at a Spending Review will always be risk-based – balancing the case for investment in services and upfront certainty, with the need to be as efficient as possible with limited resources, in recognition of the wider fiscal environment and other public service priorities. Following the last Spending Review, Department introduced the first four-year settlement (2016-17 to 2019-20), providing funding certainty for councils to plan with confidence. Within each spending period, ministers will then respond to new and evolving pressures to ensure that local government remains sustainable. For example, the Chancellor announced £240 million in funding at Budget 2018 for adult social care for 2018-19, to help local authorities alleviate winter pressures on the NHS, and a further £240 million for winter pressures in 2019-20. In such cases, ministers will look to maximise value for money by considering the timing, value and conditions attached to such funding.

1.3 The Department agrees with the Committee that greater evidence to understand the impact of one-off, immediate funding streams on local authorities will be helpful in structuring future support to the sector. While MHCLG is responsible for the overall funding framework, Government departments that rely on local authorities to deliver policy objectives or services are responsible for understanding demand, costs and the scope for efficiency in those policy areas for which they are accountable. This includes considering the value for money of additional funding provided through grants.

1.4 The Department will, consider the commissioning of a targeted piece of research into local authorities' use of recent social care grants, paid by the Department, to inform future policy development, working with other relevant departments and will write to the Committee in due course setting out the details of this and a projected timescale. Alongside this, the Department will engage with other departments on the possibility of their undertaking research into the grants for which they are wholly responsible.

2: PAC conclusion: *The Department has an unacceptable lack of ambition for the sector, with no aspiration for improving local finances beyond merely 'coping'.*

2: PAC recommendation: *The Department should write to the Committee by May 2019 setting out the steps it will take over the medium-term to move the sector to a stronger financial position. This should reflect its consideration of a full range of options to support the sector financially rather than simply a reliance on the forthcoming Spending Review and a move to greater local retention of business rates.*

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented

2.2 The Spending Review is the Government's primary mechanism for determining questions of finance for the local government sector in the medium term. As such, and given current timing, the Government has no plans to make medium-term financial decisions about the local government sector outside the context of the Spending Review, during 2019. As the Chancellor said in the Spring Statement, the Spending Review "will set departmental budgets beyond the NHS, to reflect the public's priorities between areas like social care, local government, schools, police, defence and the environment".

2.3 As with previous Spending Reviews, the 2019 Spending Review will decide the overall amount of funding that local government receives – whether through retained businesses rates or grants – as well as setting the policy on council tax. Decisions on relative needs and resources will also be taken in the context of the Spending Review, although consultations, including on the 2020-21 local government settlement, may take place before or after the Review itself.

2.4 Council tax is the single largest source of local authority income, equivalent to 31% of local authority net service expenditure in 2017-18^[1]. The Baseline Funding Level element of retained business rates was equivalent to 14% of net spend in this year, with retained business rates growth equivalent to a further 3%. The Revenue Support Grant (RSG) was the largest grant within Core Spending Power (CSP)

^[1] Excludes spending by waste authorities, the GLA and combined authorities. Includes fire spending by the Manchester Combined Authority.

in 2017-18, equivalent to 6% of net spend, with other grants within CSP^[2] equivalent to a further 4%. In addition to this, the Dedicated School Grant (DSG) and Public Health Grant, which sit outside of CSP but within the remit of Spending Review, are equivalent to a sizable proportion of spend.

2.5 Given the current timing, ministers will also use the upcoming Spending Review to make the final decisions about any new sources of income, for example on the ability of local authorities to raise income from sales, fees and charges. The Department is aware of proposals for innovative sources of funding from the sector. Treasury ministers will consider and take final decisions on any requests for new sources of income.

2.6 The Department described the practical steps that it is taking to prepare for the Spending Review in Simon Ridley's letter to the Public Accounts Committee of 19 December 2018. The same letter also sets out the steps we are taking in order to be able to advise ministers on their options in relation the Review of Relative Needs and Resources and increasing business rates retention.

2.7 Alongside this the Department is supporting the Department for Health and Social Care on the Green Paper on Adult Social Care, which will set out Government's plans for a sustainable social care system, and on the implementation of the NHS Long Term Plan. Both of these are vital to helping to secure the sustainability of local government within and beyond the next spending review period.

2.8 Recognising that the Spending Review is the primary framework for determining the resources available to local government in the medium term, the Department believes that it has addressed this recommendation.

3: PAC conclusion: *It is worrying that the Department does not know what its minimum expectations are of the full range of services that local authorities are expected to provide.*

3: PAC recommendation: *The Department should, by May 2019, publish the minimum service levels it has used to calculate service costs for the statutory services included in its modelling.*

3.1 The Government agrees with the Committee's recommendation.

Recommendation Implemented

3.2 As set out below, through commitments made previously and recognising that relevant departments have responsibility for determining minimum service levels, and that funding decisions are for ministers, the Department believes that it has addressed this recommendation.

3.3 The Department's written evidence to the Committee of 20 June 2018 set out the data, analysis and engagement underpinning the 2015 Spending Review and the process undertaken by the Department. As set out in the letter, the role of the Department in a Spending Review is to produce advice to ministers on a financial settlement for all of local government.

3.4 The government departments that rely on local authorities to deliver policy objectives or services are responsible for understanding demand, costs and the scope for efficiency in the policy areas for which they are accountable, including defining any minimum service levels that are appropriate. MHCLG provides a co-ordinating role across Whitehall, bringing together analysis by individual departments on demand (including formal projections where appropriate), minimum service levels and efficiencies on a common basis to understand the overall financial position of local authorities and future spending pressures.

3.5 This work, together with analysis by officials, is then converted into advice for ministers. Treasury Ministers, in consultation with colleagues, then make decisions on the level of funding for local government as part of the Spending Review, balancing the Government's priorities for local government, the funding requirements of other public services and the Government's overall fiscal strategy.

3.6 Outside of Spending Reviews, it is for departments to take whatever steps they consider

^[2] Section 31 grant for CPI switch in business rates, Improved Better Care Fund, 2017-18 Adult Social Care Support Grant, Rural Services Delivery Grant, Transition Grant, New Homes Bonus and New Homes Bonus Returned Funding

necessary to maintain an overview of service performance, which could include formal inspection (such as Ofsted or the Care Quality Commission). Where a department identifies that service levels are inadequate, it is responsible for taking the steps necessary to address this. Where there are significant concerns with services, MHCLG will be in close contact with the responsible department, in particular to determine whether the impacts on services are evidence of wider issues with leadership or governance within the council, which could require further intervention.

3.7 Where departments have identified financial pressures that risk impacting negatively on services, we may work with them to present a case for additional funding. The Government provided additional funding for adult social care in 2017, and for children's and adult social care in the Budget in 2018. In other areas, a department may identify that they wish to raise service expectations, and this might be subject to the New Burdens process.

3.8 As set out in Simon Ridley's letter of 19 December 2018, the Department is already working with other departments to understand financial pressures, ahead of the Spending Review. The Department will determine the baseline spending figures through analysis and cross-Whitehall engagement. These processes will enable officials from MHCLG, and the departments with responsibility for services delivered through local government, to advise ministers on the expected costs of delivering services as part of the wider advice on the spending review.

3.9 In response to the Committee's report on the sustainability of local authorities (TM50) MHCLG has already agreed to publish data in relation to projections of demand and spending, in discussion with other departments, following the next spending review. However, recognising that relevant departments have responsibility for determining minimum service levels, and that funding decisions are for ministers, the Department believes that it has addressed the other aspects of this recommendation.

4: PAC conclusion: *We are deeply dismayed that the Department views the financial sustainability of local authorities solely in terms of a small set of statutory services rather than the full range of services local people need.*

4: PAC recommendation: *The Department should write to the Committee by May 2019 setting out how services where the level of provision can be determined locally feature in its assessment of financial sustainability, how they should be funded, and how it takes account of the fact that the loss of such services may have longer term cost implications for required statutory services.*

4.1 The Government agrees with the Committee's recommendation.

Recommendation Implemented

4.2 As set out by the Permanent Secretary to the Housing, Communities and Local Government Committee on 21 January, the Department places most effort into looking at costs and service levels for statutory services, particularly where vulnerable people are concerned, since these are the areas where Parliament has defined its expectation of local government. However, the Department also makes sure that its assessments take into account the flexibility councils need to deliver non-statutory services and to respond to events. This is one of the reasons why the ratio of net current expenditure on 'inflexible spending areas', primarily adult social care and children's services, to core spending power is an important risk indicator.

4.3 The Department therefore takes the same approach to services where the level of provision can be determined locally as it does to statutory services, as set out in the answer to recommendation three.

4.4 Recognising that relevant departments have responsibility for determining minimum service levels and funding decisions are for ministers, the Department believes that it has addressed this recommendation.

5: PAC conclusion: *It is not acceptable that the Department repeatedly states that the local authority sector as a whole is sustainable but refuses to provide evidence about how it has reached these conclusions.*

5: PAC recommendation: *The Department should write to the committee by May 2019 setting out a step-by-step model of how it assures itself that the sector is sustainable:*

• In relation to the Department's 'top-down' analysis for the remainder of this Spending Review period, this should include a detailed account of how adequate funding need has been defined and calculated including assumptions over service levels (including both statutory and discretionary) and demand projections.

• In relation to the Department's 'bottom-up' analysis looking at the sustainability of individual authorities, it should set out what quantitative and qualitative evidence is used in its analysis, the framework in which this information is used, and the process by which this information is combined to produce a conclusion.

• Where conclusions are reached based on judgements in either the top-down or bottom-up methods, the Department should detail how they are made, what the criteria are and to what extent these judgements are subject to independent scrutiny to ensure quality and consistency.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented

5.2 Government policy has been to free local authorities from some previous Governments' accounting and reporting requirements. In this policy context, and as set out in the Accounting Officer System Statement, local government - through elected councillors (and, where applicable, mayors) - is accountable to its local communities for the proper stewardship of all its resources. The work of the department in assessing financial sustainability of local authorities is therefore a risk-based process, not one based on performance monitoring.

5.3 The Department's assessments of the financial sustainability of local authorities are all undertaken in the context of providing advice to ministers - either on the funding of the sector and choices about public spending, or about the sustainability of the sector to inform policy decisions about support and, on occasion, intervention in individual councils. In providing this advice, the Department takes different approaches to providing an assessment, which have been previously characterised as 'top down' and 'bottom up'. The Department has set out in detail in letters to the committee (20 June 2018, 19 December 2018) how we approach these.

5.4 The department draws on different sources of intelligence to supplement its judgements and analysis. This includes the outcomes of peer reviews and detailed studies carried out by the LGA and CIPFA, regular discussions with a range of councils, including through Treasurers' associations and roundtable with councils and departments, and intelligence and analysis from departments. By bringing in external views and analysis we are able to ensure that our assessments are broadly based, reflecting a range of insights.

5.5 With regards to the publication of a shared definition of financial sustainability, the Department committed in its response to the Committee's report on the financial sustainability of local authorities, October 2018, that it would work with bodies, including CIPFA and the LGA, to develop understanding in the sector of the key financial indicators which may support judgement on financial sustainability in individual authorities. However, the Government has no plans to publish a shared definition of financial sustainability. Indeed, the sector has expressed its support for this and cautioned against reducing a sophisticated judgement to a simple numerical metric.

5.6 As the Department has provided detailed information on all the areas raised by the committee that do not relate to questions of policy, it believes that this action has been addressed.

6: PAC conclusion: **We are concerned that the Department uses similar data and methods to other stakeholders to assess the financial sustainability of the local authority sector yet reaches different conclusions.**

6: PAC recommendation: **The Department should write to the Committee by May 2019 setting out how its estimates for local authorities' funding needs compare to the LGA's forecast of a £3.2 billion funding gap in the sector by 2019-20 and explain any differences.**

6.1 The Government disagrees with the Committee's recommendation.

6.2 As the Permanent Secretary said in the Committee's hearings on 26 November 2018 and 9 May 2018, the Department's current risk-based judgement is that the sector is sustainable for the remainder of the current spending review period. This judgement is based on the policy framework set by ministers, in the context of the wider fiscal objectives of the Government.

6.3 The Department's financial assessments are prepared in order to provide advice to Ministers. Ministers consider this advice to form part of the policy making process and have no plans to release it. Therefore, the Department is unable to provide any detailed public commentary on the analysis of others.

Seventy-Seventh Report of Session 2017-19

Ministry of Defence

The Defence Equipment Plan 2018 - 2028

Introduction from the Committee

Since 2012, the Department has published an annual Statement on the affordability of its 10-year Equipment Plan (the Plan). This followed a period of poor financial management, when a significant gap developed between forecast funding and costs across defence. In its 2018 Plan, the Department forecasts £193.3 billion of equipment and support costs between 1 April 2018 and 31 March 2028. This exceeds its £186.4 billion budget, which includes a £6.2 billion contingency, by £7.0 billion. The Department estimates that, should all identified risks materialise, the budget and cost difference for the Plan would widen to £14.8 billion, although this could still be optimistic. The Plan accounts for over 40% of the entire defence budget and the Department needs to manage it effectively to ensure the Armed Forces have the equipment they need to meet their objectives. In January 2018, the government announced the Modernising Defence Programme (MDP), a review of defence capabilities, aimed at making the Equipment Plan affordable. However, the MDP has been slow to conclude, with the Department now delaying financial decisions until the Spending Review 2019. If the Spending Review is delayed until 2020, the risks to capability and the transformation agenda become critical

Based on a report by the National Audit Office, the Committee took evidence, on and 3 December 2018, from the Ministry of Defence. The Committee published its report on 1 February 2019. This is the Government response to the Committee's report.

Reports and related documents

- Ministry of Defence report: [The Defence Equipment Plan 2018](#)
- NAO report: [The Equipment Plan 2018-28 – Session 2017-19 \(HC 1621\)](#)
- PAC report: [Defence Equipment Plan 2018-28 – Session 2017-19 \(HC 1519\)](#)
- Ministry of Defence report: [Refreshing Defence Industrial Policy](#)

Government responses to the Committee

1: PAC conclusion: The Department's Equipment Plan remains unaffordable as government continues to delay decisions on its priorities, and on whether to increase funding or stop, delay or scale back programmes.

1a: PAC recommendation: As soon as possible, government must produce an affordable Equipment Plan by:

- **Providing clarity on its priorities and the subsequent decisions made to stop, delay, and scale back areas of the defence programme to make the Equipment Plan affordable.**

1.1 The Government agrees the Committee's recommendation.

Target implementation date: January 2020

1.2 The Modernising Defence Programme (MDP), set the policy direction and work is ongoing to develop an affordable plan for delivering against this ambition over the longer term. As part of this, the Department is improving its financial management, to understand where it can be more efficient and enable more robust planning. The next Spending Review will provide the opportunity for any programme-related spending decisions needed to deliver the policy baseline outlined in Strategic Defence and Security Review 2015 and updated by the National Security Capability Review and the MDP.

1.3 The Department is confident that the programme can be delivered within budget in 2019-20, following the additional funding allocated in the 2018 budget settlement. The Department remains confident that we will deliver the programme within budget in 2018-19.

1b: PAC recommendation: As soon as possible, government must produce an affordable Equipment Plan by:

- **Clarifying what it considers to be a prudent level of over-programming across the 10-years and why.**

1.4 The Government agrees the Committee's recommendation.

Target implementation date: Autumn 2019

1.5 Over-programming is not a recognised part of the Department's financial management and we cannot therefore specify a level of over-programming we consider to be prudent. We believe the committee's intent is to understand the department's tolerance for forecast costs above budget in the Plan.

1.6 The Department manages the financial challenges of large and complex projects and programmes through a portfolio approach, based on judgements about individual programmes. Budget-holders in the Department managing large portfolios will typically plan activities with a total forecast cost that exceed planned funds, judging that spend in-year will reduce based on past performance. It is typical for total spending to be less than the cumulative forecast cost of all the individual projects due to some projects not delivering as planned.

1.7 Judging these reductions in spending against plans and forecasting spend accurately across the Equipment Plan is challenging. The Department has typically been optimistic in its forecast spending, and this has contributed to the trends published in the latest Equipment Plan report, showing that over the three years to 2017/18 in-year spending has reduced by between 5% and 9% from the forecast at the start of the year.

1.8 The Department is taking steps to improve forecasting accuracy as part of our finance functional leadership strategy. We have set a target of managing end-of-year outturn to within one per cent of the forecast at the mid-year point. As we improve the realism of our spending forecasts in the Equipment Plan, our tolerance for forecasts above budget will reduce. The Department will report progress improving forecast accuracy in the next Equipment Plan report.

2: PAC conclusion: The Department's inability to provide certainty on its equipment and support plans, risks reducing the confidence industry needs to invest in the equipment and support required by our Armed Forces.

2a: PAC recommendation: The Department should report back to us by July 2019 on how it has engaged with industry, and whether the Department and industry are signed up to a coherent plan to maintain the UK-based capability to develop and deliver the equipment required in the future.

2.1 The Department agrees with the recommendation.

Target Implementation: July 2019

2.2 The Department is committed to improving its engagement with the defence industry and through this engagement ensuring a joint understanding of the equipment priorities of the Ministry of Defence and international partners. We will provide an update to the PAC on this work in July 2019.

2.3 The Department has already taken steps to improve engagement through a restructured Defence Suppliers Forum which will be implemented in early 2019. The new approach reflects a rationalised set of focused working groups aligned behind a 2025 Joint Industry Vision. The three primary working groups, 'Capability Management, Innovation and International', 'People and Skills' and 'Commercial Enterprise and Acquisition' have Department and industry co-chairs and have established clear milestones and plans to deliver joint goals with industry, supported by stronger governance. The Forum alongside other

engagement mechanisms also provide a means of explaining the Departments assurance requirements and to manage any industrial risks.

2.4 The Department is also implementing a new approach to Strategic Supplier Management leveraging Cabinet Office best practice and investing in new capability and roles. This approach, which is being delivered in waves to 19 suppliers addressing around 70% of the Department's spending, aims to improve the delivery of its policy objectives and mitigate supply chain risk.

2.5 Our engagement with industry is framed by the refreshed Defence Industrial Policy, published in December 2017. The policy does not commit the Department to maintaining UK based capability, but outlines steps the Department will take to help UK industry grow and compete, while reaffirming the UK's commitment to the principle of open competition and free, fair and responsible defence procurement.

2.6 While the default procurement route is open competition, on some occasions, procurement may be determined by the requirement to maintain operational advantage or to protect freedom of action. The Policy for Assured Capability details how the Department will procure equipment based on the defence capability assurance required, rather than where the manufacturing resides. Equipment that provides the necessary assurance may be procured from the global market or the UK.

2b: PAC recommendation: *The Department should report back on how it is working with industry to purchase off the shelf equipment rather than pursue unnecessarily complex kit, to maximise value and drive the transformation agenda*

2.7 The Department agrees with the recommendation.

Target Implementation: July 2019

2.8 As the Department set out in the refreshed [Refreshing Defence Industrial Policy](#) (2017), it strives to provide the Armed Forces with the capabilities they need at the best value for money, obtaining this through open competition in the global market wherever possible.

2.9 The Department recognises the opportunities that procuring off the shelf equipment offers in terms of getting equipment to the Front-line more quickly and exploiting emerging technology. As part of its transformation agenda the Department is therefore re-examining its approach to the setting and delivery of requirements to ensure that capability planning, and equipment acquisition is appropriately agile and adaptable to enable this to happen. The Department's aim is to tailor the acquisition route to ensure that the most appropriate procurement approach is used and ensure that off-the shelf options are actively considered.

2.10 The Department has sought views from industry in shaping the changes required to its procurement approaches. Over the coming months the Department will begin to implement these changes and will continue to work with industry partners to test and refine its approach, building on the strong relationships that are already in place. The Defence Innovation Initiative is leading the way in demonstrating the value of off the shelf or dual use technologies to the military and in rapidly delivering such high Technology Readiness Level equipment into the hands of users.

3: PAC recommendation: *By July 2019, and each year after, the Department should provide the Committee with a progress report on the development of financial skills and performance against the metrics that the Department will be using to measure success.*

3.1 The Government agrees the Committee's recommendation.

Target implementation date: July 2019

3.2 The Department will publish a progress report on the performance metrics to be used to measure the success of the introduction of Finance Functional Leadership. The progress report will be published in the 2019 Annual Report and Accounts and a report will be included in future reports. The Department will provide a separate progress report to the Committee by July 2019.

4: PAC conclusion: *The Department is assuming it will achieve significant efficiency savings, despite not having a coherent and credible plan for monitoring and delivering them.*

4: PAC recommendation: *In compiling its Equipment Plan 2019 position, the Department must ensure that it only includes efficiencies that it can realistically expect to deliver.*

4.1 The Government agrees the Committee's recommendation.

Target implementation: October 2019

4.2 Defence Equipment and Support (DES) introduced a new process in 2016-17 to improve how it identifies, achieves, and then tracks its efficiency measures. This process has added improved control, management and transparency to the management of its savings targets.

4.3 More widely, the Department is committed to modernising and transforming the way it delivers its outputs, improving military capability and value for money whilst also driving significant and sustainable improvements in efficiency. As part of this transformation programme, the Department is developing a more rigorous approach to tracking and monitoring delivery of efficiency and transformation savings across the Department – including those in future Equipment Plans, where mature processes already exist. This work is currently in its early stages of development and will take time to deliver in full, but the Department aims to have a prototype tool and new benefits realisation framework by late September 2019.

4.4 Ultimately this will allow rigorous monitoring of costs and benefits – both from new transformation programmes and current efficiency initiatives (including those in future Equipment Plans) - backed up by relevant and robust management information. This, when combined with additional financial rigour from implementing Finance Functional Leadership, will allow the Department centrally to interrogate and assure benefits forecasts based on maturity, ensuring realistic and evidence-based benefits estimates.

5: PAC conclusion: *The Equipment Plan still does not fully outline the level of risks and uncertainties within the Plan.*

5: PAC recommendation: *The Department's future Equipment Plans should include more information on the cost, maturity and risks of the largest projects (including, in particular, the F-35 and Type 31e frigate), as well as being more transparent about its costing approach.*

5.1 The Government agrees the Committee's recommendation.

Target implementation date: Autumn 2019

5.2 The Department is committed to comprehensive and transparent reporting and is taking steps to build on the progress already made in the Equipment Plan 2018. The Department will work with TLBs and the delivery organisations in reviewing the project-level detail it can include in future Equipment Plans. However, publishing detail of individual projects is not always appropriate due to commercial sensitivities.

5.3 The Equipment Plan currently provides information on cost, maturity and risks of its largest projects in the Sector Analysis and The Project Performance Summary Table section. The Department is reviewing how it presents information within this section, with the aim of providing more information on the Department's high-profile procurement projects where possible in future Plans.

6: PAC conclusion: *HM Treasury's requirement for departments to live annually within their means hinders the Department's ability to plan for the long-term.*

6a: PAC recommendation: *The Department should use the Spending Review 2019 as an opportunity to explore longer-term budgeting arrangements in certain areas such as nuclear programmes and shipbuilding maintenance and improvements planning.*

6.1 The Government agrees the Committee's recommendation.

Target implementation date: January 2020

6.2 The Department recognises the challenge of managing complex programmes within annual spending limits and continues to work with the Treasury to explore opportunities for more flexible budget arrangements. The Department expects discussions to continue in the context of the next spending review when one is announced.

6b: PAC Recommendation: *The Department should report back to the Committee on how the extra funding settlement for nuclear and anti-submarine warfare in October 2018 was allocated and spent.*

6.3 The Government agrees the Committee's recommendation.

Target implementation date: Summer 2019

6.4 The additional funding for Defence announced in the Chancellor's budget settlement has been allocated to the Defence budget for 2019/20. The department cannot confirm the additional allocation to nuclear and anti-submarine warfare until the internal budgeting process for 2019/20 has completed. The Department will write to the Committee by July 2019 to provide an update on the additional funding for nuclear and anti-submarine warfare capabilities. The Department will continue to provide its annual update to Parliament on the Dreadnought Programme and other related nuclear programmes.

6c: PAC Recommendation: *We expect the Department to report to the Committee on substantial progress within 12 months*

6.5 The Government agrees the Committee's recommendation.

Target implementation date: Autumn 2019

6.6 The Department will publish the Equipment Plan 2019-2029 in autumn 2019. The report will demonstrate how the Department is continuing to improve the management of future Equipment Plans and explain changes made since Equipment Plan 2018. The Spending Review will provide the opportunity for any programme-related spending decisions. Any changes to the Equipment Plan resulting from the Review will be reflected in the Equipment Plan 2020-2030 onwards, which will be published in autumn 2020.

Treasury Minutes Archive⁴

Treasury Minutes are the Government's response to reports from the Committee of Public Accounts. Treasury Minutes are Command Papers laid in Parliament.

Session 2017-19

Committee Recommendations: 491
 Recommendations agreed: 443 (90%)
 Recommendations disagreed: 48 (10%)

Publication Date	PAC Reports	Ref Number
December 2017	Government response to PAC report 1	Cm 9549
January 2018	Government responses to PAC reports 2 and 3	Cm 9565
March 2018	Government responses to PAC reports 4-11	Cm 9575
March 2018	Government responses to PAC reports 12-19	Cm 9596
May 2018	Government responses to PAC reports 20-30	Cm 9618
June 2018	Government responses to PAC reports 31-37	Cm 9643
July 2018	Government responses to PAC reports 38-42	Cm 9667
October 2018	Government responses to PAC reports 43-58	Cm 9702
December 2018	Government responses to PAC reports 59-63	Cm 9740
January 2019	Government responses to PAC reports 64-68	CP 18
March 2019	Government responses to PAC reports 69-71	CP 56
April 2019	Government responses to PAC reports 72-78	CP79

Session 2016-17

Committee Recommendations: 393
 Recommendations agreed: 356 (91%)
 Recommendations disagreed: 37 (9%)

November 2016	Government responses to PAC reports 1-13	Cm 9351
December 2016	Government responses to PAC reports 14-21	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 ⁵	Cm 9429
March 2017	Government responses to PAC reports 35-41	Cm 9433
October 2017	Government responses to PAC reports 42-44 and 46-64	Cm 9505

Session 2015-16

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

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 (part 1)	Cm 9351
December 2016	Government response to PAC report 39 (part 2)	Cm 9389

⁴ List of Treasury Minutes responses for Sessions 2010-15 are annexed in the Government's response to PAC Report 52

⁵ Report 32 contains 6 conclusions only.

Treasury Minutes Progress Reports Archive

Treasury Minutes Progress Reports are the Government's response on the implementation of recommendations from the Committee of Public Accounts. Treasury Minutes Progress Reports are Command Papers laid in Parliament.

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
October 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 9506
January 2018	Session 2010-12: updates on 2 PAC reports Session 2013-14: updates on 5 PAC reports Session 2014-15: updates on 4 PAC reports Session 2015-16: updates on 14 PAC reports Session 2016-17: updates on 52 PAC reports	Cm 9566
July 2018	Session 2010-12: updates on 2 PAC reports Session 2013-14: updates on 4 PAC reports Session 2014-15: updates on 2 PAC reports Session 2015-16: updates on 9 PAC reports Session 2016-17: updates on 38 PAC reports Session 2017-19: updates on 17 PAC reports ⁶	Cm 9668

⁶ Contains updates on Treasury Minutes - Session 2017-19 - up to March 2018.

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