HM Treasury

Treasury Minutes

Government responses to the Committee of Public Accounts on the Thirty-Fifth to the Thirty-Ninth reports from Session 2019-21

CP 409

March 2021

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

March 2021

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Government responses to the Committee of Public Accounts Session 2019-21

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Thirty-Fifth Report of Session 2019-21

Department for Digital, Culture, Media and Sport

Improving Broadband

Introduction from the Committee

The Department for Digital, Culture, Media & Sport (the Department) has overall responsibility for Government's broadband policies. Building Digital UK (BDUK), a unit within the Department, implements these policies and delivers Government's broadband programmes. Since 2011–12, alongside roll-out by industry, the Department's Superfast Broadband Programme has provided £1.9 billion of public subsidy to suppliers to help them deliver faster broadband (download speeds of at least 24 Mbps) to 5.3 million premises in areas that are not profitable. In the programme's early phases, superfast broadband was delivered mostly through a mix of copper wire and fibre technology. The latest wholly fibre technology, while more expensive to roll-out provides much faster 'gigabit' (1000 Mbps) speeds. However, the UK currently lags behind its European counterparts on full-fibre coverage and, to meet future demand, Government had pledged nationwide gigabit-capable infrastructure by 2025. The Department expects industry to deliver to 80% of UK premises through commercial roll-out and Government announced £5 billion for a new programme to subsidise most of the hardest-to-reach 20% in its Spring 2020 budget. It considers the final 1% of UK properties to be too expensive to reach and will seek additional funding and alternative solutions for these.

Since we took oral evidence, Government has published its 2020 Spending Review. This allocates £1.2 billion between 2021–22 and 2024–25 and describes this amount as being for the "first 4 years" of the £5 billion gigabit broadband programme. Alongside the spending review, Government also published a new National Infrastructure Strategy in which it has announced a revised coverage target to reach a minimum of 85% of premises by 2025, and says it will seek to get as close to 100% as possible. There are not dates for coverage targets beyond 85%.

Based on a report by the Comptroller and Auditor General, the Committee took evidence, on Monday 9 November 2020 from the Department for Digital, Culture, Media and Sport. The Committee published its report on 8 January 2020. This is the government response to the Committee's report.

Relevant reports

- NAO report: *Improving Broadband* Session 2019-21 (HC 863)
- PAC report: *Improving Broadband* Session 2019-21 (HC 688)

Government responses to the Committee

1: PAC conclusion: ***The pledge to deliver nationwide gigabit connectivity by 2025 has proven to be unachievable.***

1: PAC recommendation: ***The Department should set out, on receiving business case approval or within 3 months, a clear timeline of what activities it intends to complete and by when to achieve its revised targets including the final dates by which key milestones must be reached in order to meet those targets. It should publish yearly updates on progress thereafter.***

1.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2021

1.2 The 2020 Spending Review allocated £1.2 billion over 4 years to support the rollout of gigabit-capable broadband, as part of the government's £5 billion commitment to support rollout to hardest to reach areas (under the UK Gigabit Programme). The spending profile takes into account extensive engagement with suppliers in the telecoms industry, and what it believes the industry will be able to deliver by 2025 in these hard to reach areas at this stage. As set out in the National Infrastructure Strategy, the government expects that by 2025 at least 85% of premises will have access to gigabit-capable connections and the department will continue to work with industry to accelerate the rollout further to get as close to 100% as possible. The department remains committed to investing £5 billion in bringing gigabit coverage to the hardest to reach areas and will continue to work with suppliers to accelerate this investment, taking account of industry capacity.

1.3 The department will shortly announce the locations of the first phase of new procurements and set out its approach for quarterly publications updating the procurement pipeline that will enable the majority of the programme delivery.

1.4 The overall programme delivery profile will be incorporated into the Programme Business Case, due to be submitted for approval in Summer 2021, ahead of first contract awards. The department will publish progress against the programme's milestones regularly.

2: PAC conclusion: ***The Department has failed to make meaningful progress to tackle the barriers faced by operators in maximising gigabit connectivity by 2025.***

2: PAC recommendation: ***The Department should identify which risks and barriers have the greatest potential to add delay and cost to the programme and provide a clear plan for how and when they will be addressed and the impact on time and schedule if they are not addressed.***

2.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2021

2.2 The government identified risks and barriers to gigabit rollout in its *Future Telecoms Infrastructure Review* (July 2018). Since then, the government's Barrier Busting Taskforce has made great progress with:

- introducing legislation to make it easier for broadband firms to access blocks of flats. The Telecommunications Infrastructure (Leasehold Property) Bill has finished its Parliament passage and is awaiting Royal Assent.
- Consulting on how to ensure all new build developments have gigabit-capable broadband and committed to amending Building Regulations to deliver this reform.
- Acting on access to roads. In 2020, the new digital Street Manager system went live and the updated specification for the Reinstatement of Openings in Highways was introduced by the Department for Transport (DfT) to enable more innovative road reinstatement techniques by operators.
- Continuing to work with DfT on further reforms to simplify street works processes to support broadband deployment.

2.3 Following engagement with stakeholders since the Future Telecoms Infrastructure Review, the government issued a consultation on whether the Electronic Communications Code required further reforms to make it faster and more efficient for operators to install, maintain and upgrade their network apparatus. Government will publish an update on its Barrier Busting work shortly and will continue to work with stakeholders to identify barriers to deployment and take urgent action to address key issues that emerge.

2.4 The government is carrying out a technical consultation with network operators on the use of Huawei equipment in full fibre networks. This is nearing completion and the Secretary of State will announce the outcome in due course.

3: PAC conclusion: ***The Department is not clear how, in a centralised procurement model, it will retain the people, skills and knowledge in local authorities that were critical to success in the superfast programme.***

3: PAC recommendation: ***The Department should set out in its Treasury Minute response to this report, what steps it is taking to support the retention of knowledge, skills and delivery expertise in local authorities so that the change in approach does not cause delays to the future programme.***

3.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2021

3.2 Local authority teams are of significant value in supporting delivery of the new programme and benefits realisation.

3.3 The government's Barrier Busting Task Force is advising local authorities across the UK, including via its *Digital Connectivity Portal*. It also works with industry, local authorities and landowners to identify and remove barriers to deployment, including those that require changes to the law.

3.4 The department is working closely with the Local Government Association, through the ADEPT group, to agree the delivery model, specific roles and resource requirements for UK Gigabit.

3.5 The department is meeting with senior officials in each of the existing local authority partners to confirm alignment between the programme and their own strategic objectives. In general, local authorities have expressed commitment to supporting investment in local digital infrastructure. The department will monitor the situation in the light of ongoing financial pressures

3.6 The department's programme delivery team includes a proactive field team based in the regions. Each local authority has a named resource within this team who works with them to continually assess options for increasing broadband coverage from across the department's portfolio of interventions/programmes (Superfast, Local Full Fibre Networks, Rural Gigabit Connectivity, Gigabit Broadband Voucher Scheme) and the new UK Gigabit Programme. It also includes supporting them with other funding opportunities for digital infrastructure such as Region Deals, Town Deals and the £900 million Get Building Fund.

4: PAC conclusion: ***The Department has been unable to show how it has learnt lessons from the superfast programme into the detailed design of the gigabit programme.***

4: PAC recommendation: ***As the Department finalises its approach to its gigabit programme it should set out how it is incorporating the lessons learned from the superfast programme including:***

- ***Setting out clear programme specific objectives for the subsidised part of the future gigabit programme (the £5bn programme).***
- ***How it intends to improve its targeting to ensure it covers only those areas in greatest need, particularly areas with a high proportion of premises which are uncommercial for rollout, and that any money that does need to be returned is done so as soon as possible.***

4.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2021

4.2 The department continues to deliver to areas of greatest need and committed the first £4.5million from the new programme to upgrade sub-superfast premises in Scotland.

4.3 On 22 December 2020, the department published a description of its targeting approach for its new procurements, which will continue to prioritise sub-superfast premises, in the *Planning for Gigabit Delivery* consultation. The department commits to publishing progress against the UK Gigabit Programme's milestones regularly.

4.4 The department is committed to incorporating lessons from its delivery of the *Superfast Broadband Programme*. It commissioned two independent evaluations of the Superfast Broadband Programme, the most recent of which included interviews with 40 local authorities and 16 suppliers. The *results from this evaluation were published on 29 January 2021*. This evidence, as well as BDUK's own analysis, has also informed the design of the UK Gigabit Programme.

4.5 The department has also consulted local authorities and suppliers on their own experiences and sought their feedback on emerging and iterating programme design through regular stakeholder engagement events.

4.6 Examples of the improvements from Superfast Broadband Programme include the department centralising and automating a process for suppliers to regularly share their latest build plans, ready to inform targeting decisions for future procurements. Additionally, the department is extending the clawback period in the new contracts to 15 years to reflect the longer asset life of gigabit networks and incorporating a one-off recovery after seven years to bring forward the anticipated future value of clawback for the remaining eight years.

5: PAC conclusion: ***The Department is yet again failing to prioritise consumers in rural areas.***

5: PAC recommendation: ***The Department should set out how it will establish which properties do not yet have superfast broadband, how reliable the data it will use to identify them is, and when they can expect to receive gigabit capable broadband.***

5.1 The government agrees with the Committee's recommendation.

Recommendation implemented

5.2 Through existing programmes, the department is already delivering gigabit coverage to rural and remote premises and those currently without superfast broadband. For example, it has pivoted the Superfast Broadband Programme to invest in gigabit capable networks and is due to announce the extension of the Gigabit Broadband Voucher Scheme, which provides grants for rural households and businesses to contribute to the cost of gigabit capable broadband installation. Many local authorities are also topping up the vouchers with additional funding for those premises without superfast broadband. Over 325,000 of the hardest to reach premises have already been given access to gigabit capable networks through the Superfast Programme and a further 500,000 are in existing delivery plans.

5.3 The department has set out how it intends to target the remaining premises which are without superfast broadband, or which are not within other coverage plans, in its consultation *Planning for Gigabit Delivery* (December 2020) and is about to announce the location of the first phase of new procurements. To accurately identify and plan the intervention areas, the department is already collecting Ofcom's regularly updated Connected Nations data on current operator footprint and has begun collecting data on future build plans from a wider range of operators. It is implementing systems that will allow operators to update their data on a regular basis with their latest plans and, once assured, will be reflected in its delivery plans and the data made available in the public domain. In addition, a formal public review will be undertaken before each project under the new UK Gigabit Programme to enable all suppliers to provide information on their existing plans. The first public review under this new process, for the area of Cumbria, was published on 9 February 2021.

6: PAC conclusion: ***The Department cannot provide certainty to consumers that they will have a choice of internet provider or be protected from overcharging should they become tied to the sole supplier in an area.***

6: PAC recommendation: ***In its Treasury Minute response to this report, the Department should set out how it plans to work with Ofcom, suppliers and industry bodies to ensure that all consumers will have a choice of service providers and are protected from overcharging, in particular where they become tied to a monopoly supplier.***

6.1 The government agrees with the Committee’s recommendation.

Target implementation date: Spring 2021

6.2 The department’s proposed contracts include an annual wholesale access price benchmarking requirement. Pricing is compared to the Ofcom regulated price and benchmarked against the department’s pricing database with only reasonable justifications allowed. Where pricing is deemed too high against market benchmarks, the department will require suppliers to revise pricing, ensuring consumers in areas benefiting from public subsidy will be protected from overcharging.

6.3 When scoring bids from suppliers for projects with support from public funding, there will be an evaluation of the quality of their Retail Service Providers (RSP), including the number of RSPs that will use the infrastructure built, product offering and pricing to end customers. In most commercial areas, there is significant competition at the retail level with a number of Internet Service Providers offering broadband services to consumers.

6.4 The government is also working with Ofcom to increase network competition and commercial investment in gigabit capable broadband. The Government’s analysis is that up to 80% of premises in the country are likely to be able to support two gigabit capable networks and that around a third of premises will be able to support three gigabit capable networks. If network monopolies do emerge in these more commercial areas, Ofcom has the regulatory powers to address them.

6.5 In addition, to help support retail competition over smaller networks, government is working with industry to facilitate standardisation and aggregation of operators’ wholesale networks to make them more attractive for retail internet service providers to offer their services on top of them.

Thirty-Sixth Report of Session 2019-21

HM Revenue & Customs

HMRC performance 2019-20

Introduction from the Committee

HMRC is responsible for administering the UK's tax system. HMRC's objectives are to: collect revenues due and bear down on avoidance and evasion; transform tax and payments for its customers; and design and deliver a professional, efficient and engaged organisation. In 2019–20, HMRC raised £636.7 billion of tax revenues, an increase of £8.8 billion (1.4%) since 2018–19. It estimates the yield from its tax compliance activities in 2019–20 was £36.9 billion, 7.0% above its target (£34.5 billion). As well as its traditional objectives, the Department is playing a significant role in implementing the Government's response to the COVID-19 pandemic. The primary support measures for individuals and businesses administered by HMRC include: grant-paying measures, such as the Coronavirus Job Retention Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS); measures to defer payment of tax liabilities, such as deferring VAT payments; and other tax measures, such as a VAT cut from 20% to 5% on food, accommodation and attractions. HMRC is also responsible for administering Personal Tax Credits to support families with children and to help ensure that work pays more than welfare. In 2019–20, HMRC spent £18.3 billion on tax credits. Tax credits supported around 2.3 million families and around 4.4 million children. The Government, as part of its COVID-19 support measures, increased the working tax credits from 6 April 2020 until 5 April 2021; which could mean up to an extra £20 each week for claimants or households.

Based on a report by the National Audit Office, the Committee took evidence on Monday 16 November from HMRC. The Committee published its report on 20 January 2021. This is the government's response to the Committee's report.

Relevant reports

- NAO report: *HM Revenue and Customs Annual Report and Accounts 2019-20* – (HC 891)
- PAC report: *HMRC performance 2019-20* – Session 2019-21 (HC 690)

Government responses to the Committee

1: PAC conclusion: *Quirks in the tax system have left some groups of taxpayers excluded from financial support that other taxpayers received throughout the COVID-19 pandemic.*

1a: PAC recommendation: *HMRC should, within six weeks of this report: publish an explanation for the reasons why it cannot help those freelancers and other groups that have been excluded from receiving any support and what would be required to determine eligibility for financial support for that group of taxpayers; and*

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented

1.2 Following the Committee's COVID-19: Support for Jobs report, HM Revenue & Customs and HM Treasury *wrote to the Committee* on 2 February 2021 responding to recommendation number 3 (that HM Treasury and HMRC should investigate whether more data within and outside the tax system could be used to determine eligibility for currently excluded groups), setting out reasons why certain groups have not been eligible for support.

1b: PAC recommendation: *and HMRC should, within six weeks of this report consider the support it can provide for those taxpayers that have, due to the IR35 rules, moved onto payrolls and missed out on support from the COVID schemes, for example, by reviewing whether it can use an average of wages in the past three years to determine grants.*

1.3 The government agrees with the Committee's recommendation.

Recommendation implemented

1.4 The off-payroll working (IR35) rules can apply if an individual provides their services through their own limited company. These rules do not prevent anyone from continuing to work through a limited company or require individuals to move onto payroll. They simply ensure that those working like an employee through a limited company pay broadly the same tax and National Insurance contributions (NICs) as if they were employed directly. However, the government is aware that some client organisations have chosen to offer contractors employee positions on payroll.

1.5 To ensure an acceptable level of fraud risk and to mitigate vulnerability to criminal attack, without compromising the speed at which the department need to pay out, the Coronavirus Job Retention Scheme (CJRS) is based around the principle that data submitted by claimants must be able to be matched against verifiable data already held on HMRC's systems. This is assessed using employer PAYE Real Time Information (RTI) submissions to HMRC, which allows HMRC to verify claims in the most efficient and timely way, ensuring payments can be made quickly while reducing the risk of fraud.

1.6 For the first six months of the CJRS, employees were eligible if they were on-payroll the day before the scheme commenced on 20 March 2020. In October 2020, the CJRS cut-off date was moved to 30 October 2020, meaning that many more individuals are now eligible for support, including contractors moved onto payroll earlier in the year in anticipation of the off-payroll reform.

1.7 The rules on calculating entitlement to CJRS were set to be consistent for all employees, and to move away from this would complicate the scheme and increase the burden on employers.

2: PAC conclusion: ***A lack of certainty about the COVID-19 support schemes has undermined businesses' ability to plan effectively.***

2: PAC recommendation: ***HMRC should, within six weeks of publication of this report, write to us to set out what lessons have been learned from the timing and content of its communications, such as about the future of the Job Retention Bonus scheme, and how those lessons might have improved the outcomes of the support schemes.***

2.1 The government agrees with the Committee's recommendation.

Target implementation date: March 2021

2.2 The government has had to balance providing longer-term certainty on the schemes with the need to be responsive to the evolving impact of COVID-19 and ensure economic support is tailored to the latest circumstances. The government's principle has always been that financial support will follow the path of the virus. This will sometimes mean reviewing policy at short notice where the nature of the pandemic has changed significantly, such as when the CJRS was extended in October 2020.

2.3 The government is committed to providing as much clarity and forewarning as possible on support arrangements. For example, in December 2020, details were announced of the extension of CJRS to the end of April 2021, on its current terms. At the Budget 2021, the Chancellor gave further certainty to businesses, allowing them to plan ahead with confirmation that the CJRS and the Self-Employment Income Support Scheme (SEISS) would continue until September 2021

2.4 The department's approach to operational communications to support successful implementation of the schemes has been based on four stages - announce, prepare, launch and support - with proactive communications across channels including stakeholder engagement and roundtables, emails to millions of customers, MPs, stakeholders and agents, social media awareness and calls to action, published guidance and webinars. This has ensured awareness of the schemes, that customers know how to check if they are eligible, what action they need to take and by when, and where they can find further support. This includes helping customers to prepare in advance for making claims under the schemes.

2.5 The department continues to adapt their approach based on customer and stakeholder feedback and will write to the Committee in more detail in March 2021, setting out this approach and lessons learnt.

3: PAC conclusion: ***HMRC's estate strategy risks becoming woefully out of date.***

3: PAC recommendation***: In its Treasury Minute response, we expect HMRC to set out its future plans on how it will review its estate strategy in light of the impact of COVID-19 on the demand for commercial properties, to ensure it can demonstrate value for money from its considerable investment should demand remain suppressed.***

3.1 The government agrees with the Committee's recommendation.

Target implementation date: July 2021

3.2 The department is satisfied that its estates strategy continues to offer value for money in the light of the likely short- and long-term impacts of the COVID-19 pandemic on the department's requirement for office space and on office rents.

3.3 Before making contractual commitments for its regional centres, the department obtained independent qualified professional advice which confirmed that the flexible lease terms they negotiated offer the best balance of value when building modern offices in locations with a large long-term government presence. It also built in terms enabling the department to sublet space if needed and build in future flexibility.

3.4 While the experience of working during the COVID-19 pandemic is likely to have longer term implications for ways of working, the department expects to continue to be an office-based organisation, requiring high-quality workspaces where people can work together and develop their careers. The department will review what this means in terms of space requirements and work with the Government Property Agency to ensure space freed up by HMRC is made available to other departments who wish to secure long-term space, to support the government's Places for Growth Programme. The high quality of the department's regional centre office accommodation, and their prime location in Government Hubs, mean that they are eminently suitable for use by other government departments and there has already been demand from other departments for space in HMRC's regional centres.

3.5 The lease terms negotiated by the department ensure optimum rental costs in the light of the expected long-term occupation of the offices by HMRC and other government departments.

4: PAC conclusion: ***The pandemic has significantly increased HMRC's workload and made the organisation more complex.***

4: PAC recommendation***: HMRC should review its priorities and work with HM Treasury to ensure it has sufficient capacity and resources to effectively manage its workload. HMRC should, following the November 2020 Spending Review, write to us, setting out the findings of its review and explaining what it might need to deprioritise if it has not secured sufficient additional resources.***

4.1 The government agrees with the Committee's recommendation.

Target implementation date: April 2021

4.2 The department was allocated £5.4 billion through the 2020 Spending Review. This included funding of:

- £1 billion to reform and enhance UK's customs system;
- £146 million to extend the rollout of Making Tax Digital; and
- £321 million to improve the agility and resilience of HMRC's IT estate (including the modernisation of Valuation Office Agency's IT systems and support for the 2023 Business Rates revaluation). The overall settlement was broadly similar to forecast spend in 2020-21.

4.3 The department is reviewing its 2021-22 priorities to ensure it successfully delivers its priorities and strategic objectives, and continues to be a trusted, modern tax and customs department.

4.4 The department is currently working through its plans for the next year, in line with its normal business planning process. This incorporates all aspects of HMRC's delivery, from core tax and payments work through to activity to support government actions in response to the pandemic. In line with other Government departments, HMRC will be publishing their Outcome Delivery Plan (ODP) following the start of the 2021-22 financial year.

5: PAC conclusion: ***HMRC has spent too much of its IT budget on patching up legacy systems rather than modernising them.***

5: PAC recommendation*: HMRC should write to us, by the end of March 2021, setting out what it is doing, and has planned, to refocus IT investment on modernisation for the future, while retaining resilience, so it can move on from the need to simply keep patching up legacy systems.*

5.1 The government agrees with the Committee's recommendation.

Recommendation implemented

5.2 The department has been addressing its legacy technical debt since 2019 and received funding of £268 million at the 2020 Spending Review to continue the work to improve the agility, resilience and security of its IT estate. The estate comprises over 6,000 servers and over 550 associated IT systems so is an extremely complex and inter-dependent one. The plan to tackle legacy technical debt has focused on a number of areas:

- **Rationalise/Streamline**: Rationalising the department's IT estate – to date 20% of the department's total services have been de-commissioned or retired;
- **Remediate**: Addressing high priority technical debt to replace out of support and old components, so that the core system security is enhanced, together with strengthening perimeter controls protecting the department's IT systems. The department has spent £36.3 million on this activity in Financial Year 20-21;
- **Migrate**: The next step in this programme of work is to migrate these systems to the Cloud. Hosting savings will be delivered, thus reducing baseline IT spend. These systems can then be further transformed as part of full service transformation (multiple IT systems grouped together form a service such as Personal Tax or VAT), which is agreed industry-standard practice; and
- **Transform:** Focusing on defining and consolidating system delivery centred around strategic components, reducing operating cost and concentrating management activities around a reduced set of components which support HMRC operations. This both reduces the operating cost and the security attack surface area, which helps HMRC defend its systems.

5.3 The ODP details the plans on how the department is remediating technical debt and the work HMRC have done to develop core foundational structure elements for HMRC.

6: PAC conclusion: ***HMRC too often struggles to provide reliable and timely financial estimates upon which good financial and operational planning depends.***

6a: PAC recommendation*: HMRC should, in its Treasury Minute response, set out: The steps it is taking to ensure its financial estimates are sufficiently timely and rigorous; and…*

6.1 The government agrees with the Committee's recommendation.

Recommendation implemented

6.2 The government does not accept that HMRC "too often struggles to provide reliable and timely financial estimates upon which good financial and operational planning depends".

6.3 There is a robust process in place for ensuring all financial estimates are accurate and reliable. These are audited every year by National Audit Office (NAO).

6.4 The 2019-20 Resource Account was qualified for breaching the Net Cash Requirement (NCR). This was due to an error in preparing the 2019-20 Supplementary Estimate. The department has introduced additional validation exercises and strengthened the department's sign off process.

6.5 The department also breached its HM Treasury Income Control Total by £5.98 million during the 2019-20 financial year. At the year-end and as the audit process concluded, there were several unforeseen changes in the income outturn which resulted in the breach. The department subsequently requested to make a non-budgetary adjustment at the 2020-21 Supplementary Estimate to correct this. The department should have flagged this breach earlier and sought retrospective permission to retain the additional income or surrendered this amount back to the Consolidated Fund and the department did not. Since then, the department has moved quickly to improve its controls and increase the robustness of its forecasts and will be reporting its forecasts to the Treasury on a monthly basis.

6b: PAC recommendation*: … when will the department have an estimate of the actual amount of error and fraud in the COVID-19 grant schemes it administers, rather than a planning estimate, and its plans for recovering those losses.*

6.6 The government agrees with the Committee's recommendation.

Recommendation implemented

6.7 The department will not have a complete assessment of the total fraud and error for the CJRS until the end of 2021 at the earliest. This is because the department requires most of the cases selected for CJRS random enquiry to be closed before a final assessment can be made.

6.8 For the SEISS, the department requires the 2020-21 Self-Assessment returns to be filed in order to produce a firmed-up estimate for the current phases of the scheme.

6.9 The department's plans to recover funds from those who have abused CJRS and SEISS are set out in its post-payment compliance approach – identifying cases via risk profiling, contacting many via one to many approaches and following up on those who do not respond, or whose response needs further investigation. This approach will be kept under review and adapted as necessary to effectively address fraud whilst not over burdening compliant claimants.

Thirty-Seventh Report of Session 2019-21

HM Treasury

Whole of Government Accounts 2018-19

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 9,000 organisations across the UK public sector, including: central government departments; local authorities; devolved administrations; the NHS; academy schools; and public corporations such as the Bank of England. In 2018–19, the WGA included net expenditure (total expenditure less income) of £56.2 billion and net liabilities (the difference between assets and liabilities) of £2.5 trillion. The Treasury published WGA 2018–19 on 21 July 2020, 15 months after the end of the financial year. The Comptroller & Auditor General again qualified his opinion on the 2018–19 accounts as a result of longstanding financial reporting issues. The Committee has previously recommended that the Treasury: use the WGA to provide better insight into how well the government is managing risks to fiscal sustainability, including providing more information on how well government is performing against its key policy objectives relating to managing fiscal risks; ensures that users of the accounts have access to the information they find valuable in the WGA and make improvements in harmonisation of the information provided by individual components; and that the Treasury focuses its efforts on making the WGA as useful as possible to its users, whether that be through bringing the publication earlier or through enhancing the insight it provides.

Based on the Whole of Government Accounts (WGA) for the year ended 31 March 2019, the Committee took evidence, on Thursday 19 November 2020 from the HM Treasury. The Committee published its report on 22 January 2021. This is the government's response to the Committee's report.

Relevant reports

- HM Treasury report: *Whole of Government Accounts 2018-19* – Session 2019-21 (HC 500)
- *Report of the Comptroller and Auditor General on the Whole of Government Accounts 2018-19*
- PAC report: *Whole of Government Accounts 2018-19* – Session 2019-21 (HC 655)

Government responses to the Committee

1: PAC conclusion: *The WGA still does not provide Parliament and the public with the information that they need to better understand the government's financial position and exposure to fiscal risk.*

1: PAC recommendation*: The Treasury should ensure that the WGA is a forward-looking document, providing the public and Parliament with the information that they need to better understand how the government manages its financial position and exposure to fiscal risk.*

1.1 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2021

1.2 The government is committed to transparency on fiscal risks and welcomes independent scrutiny of risk exposure. Every year the Office for Budget Responsibility (OBR) publishes either a Fiscal Risks Report or a Fiscal Sustainability Report, providing comprehensive surveys of near-term fiscal risks and longer-term pressures on the public finances. Every other year the government publishes its response to the Fiscal Risks Report, setting out the action the government is taking to manage the fiscal risks identified. The OBR will publish its third Fiscal Risks Report in 2021. The International Monetary Fund (*IMF*) and the Organisation for Economic Cooperation and Development (*OECD*) have recognised the OBR Fiscal Risks Report as one of the most comprehensive of its kind. The OBR is the UK's official economic forecaster and produces an

Economic and Fiscal Outlook twice a year. The OBR's publications are the best sources for official forward-looking assessments of the fiscal position.

1.3 The Whole of Government Accounts (WGA) financial statements are, like any other audited set of accounts, a record of past financial performance, and give an assessment of the balance sheet at a defined point in time in the past. They do not include forward-looking assessments of the fiscal position or estimates of the government's exposure to fiscal risk: applying the relevant accounting standards to government accounts does not generate that information. But the accompanying performance report gives us the opportunity to include a broader commentary, beyond the scope of the audited accounts, including summary information on the forward-looking position, drawing on information published by the OBR. In the WGA 2019-20, the performance report will set out additional forward-looking information and commentary on the Treasury's overall approach to managing the financial position and fiscal risk. It will include more information on the principal risks and uncertainties facing the economy and their potential implications for the WGA in future years. And it will include greater information on the profile of future cash flows from existing WGA liabilities and more information on expenditure on COVID-19, based on available published data sources including departmental data.

2: PAC conclusion: ***There is an apparent lack of ownership by the Treasury of the analysis and scenario planning activities necessary to manage the impact of COVID-19 on government finances.***

2: PAC recommendation: ***The Treasury should write to the committee setting out what specific analysis it is currently undertaking as it manages the economic impacts of COVID-19.***

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 Since the onset of the pandemic, HM Treasury has provided ministers with advice on the impact on the economy and the public finances. To inform this, it has brought together the economic data published by the Office for National Statistics (ONS), forecasts and projections prepared by the OBR, the Bank of England and others, academic literature and real-time information such as mobility data. In considering the impact on particular sectors or regions we have considered the non-pharmaceutical restrictions (NPIs) in force or under consideration; the extent of Gross Value Added (GVA) accounted for by the sectors directly affected; the employment accounted for by those sectors; regional variations in NPIs, and the resultant impacts on factors such as supply chains and ability to travel to work; and the vulnerability of the labour market and firms, using the information provided by survey data. We have used a range of analytical tools to bring together this information and to assess the interaction between the different factors. This analytical work has generated advice to ministers on the possible range of impacts, although inevitably those are subject to a high degree of uncertainty.

2.3 In November 2020, the government published an *Analysis of the health, economic and social effects of COVID-19 and the approach to tiering* which drew together some of this analysis. It also set out the data that are most helpful to look at when considering the regional or sectoral impact of measures of the NPIs.

2.4 In February 2021, the government published the *Roadmap out of lockdown* which built on this and set out the health, social and economic analysis that underpinned the steps announced. For the economy, this included the impacts on GVA and jobs in those sectors affected by restrictions over the last year, as well as information about the distribution of those impacts.

2.5 The March 2021 *Budget document* provided further detail on different ways that HM Treasury has assessed the impact that the tiered system of restrictions and lockdowns had on the economy last year.

2.6 The OBR, in their *Budget forecast*, have formed their own assessment of how the economy will evolve under the Roadmap. In its central forecast, the OBR expect that gross domestic product (GDP) will grow by 4.0% in 2021 and it assumes some long-term scarring in the economy of around 3% of GDP.

2.7 HM Treasury will continue to incorporate economic analysis into policy advice to ministers, using all the information set out above, as well as previous experience at earlier stages in the pandemic.

3: PAC conclusion: *The WGA does not provide assurance that significant risks to the UK's financial sustainability are well managed.*

3: PAC recommendation*: The Treasury should provide meaningful insight through the WGA into how it works with other government bodies to ensure risks to financial sustainability are appropriately managed.*

3.1 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2021

3.2 HM Treasury works closely with other government departments to ensure that public funds are managed effectively and sustainably, with close spending control oversight of all spending and balance sheet risks, to deliver the government's policy objectives. The government also values independent analysis and commentary on the sustainability of the public finances, particularly through the biennial publication of the OBR's Fiscal Sustainability Report.

3.3 The *Balance Sheet Review*, which concluded in November 2020, aimed to strengthen control of long-term risks and the costs of liabilities, to identify opportunities to dispose of assets that no longer serve a policy purpose and improve returns on retained assets. The government has put in place a number of further actions to strengthen risk management in line with its recommendations including improving the identification and mitigation of balance sheet risks and improving capability to understand and manage balance sheet risk in a strategic way. Future WGAs will continue to report on these developments in balance sheet management and set out how they support the management of risks to financial sustainability. WGA 2019-20 will also provide more information on how the key liabilities in the account are managed, how they have evolved over time, and how value for money is achieved in discharging these obligations. It will also draw on information produced by the OBR on wider spending projections, to place the accounting liabilities in a broader context.

4: PAC conclusion: *The financial sustainability of some local authorities presents a significant risk to government.*

4: PAC recommendation*: The Treasury should work with the Ministry of Housing, Communities and Local Government to ensure government's response to the Redmond review is agreed and implemented as soon as possible. It should set out how it knows its oversight of local government fiscal risks is effective in the WGA given government's exposure as the funder of last resort.*

4.1 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2021

4.2 The UK, unlike most other countries, has a long-established practice of setting its fiscal objectives by reference to the whole public sector. The medium term forecasts of fiscal activity by local authorities are included within the fiscal aggregates forecast by the OBR and reported in outturn by HM Treasury and the Office for National Statistics each month, and which are used to support management of the UK's fiscal position. The Ministry of Housing, Communities and Local Government (MHCLG) has the responsibility to monitor fiscal risks and intervene where necessary. HM Treasury works closely with MHCLG to understand the financial issues within the sector and determine appropriate policy responses: for example, in the reforms to the terms of loans provided by the Public Works Loan Board.

4.3 The WGA 2019-20 performance report will include additional information showing how fiscal risks are monitored and managed in the local government sector and bring in wider information on finances in the sector into the performance report. In future years, WGA will also build on existing segmental reporting in the account to show more detailed breakdowns of local authority balance sheet and revenue and expenditure items in the performance report. HM Treasury will, in addition, work with MHCLG to support their implementation of the government's response to the *Redmond Review* to ensure stability in the audit market and timely, transparent reporting of financial data needed to manage fiscal risks in local government. MHCLG published this response in December 2020, setting out how the government would, in partnership with key organisations, take swift action to support the ongoing sustainability of the local audit market. This includes, subject to consultation, enabling audit firms, councils and Public Sector Audit Appointments Limited (PSAA) to agree fees that more closely match the actual costs of audit, and temporarily extending the deadline for the publication of auditor opinions on local authorities' accounts. This is alongside an additional £15 million to affected local authorities in 2021-22 to help councils to both meet the growing cost pressures in the audit market and deliver Sir Tony Redmond's recommendations.

5: PAC conclusion: ***The Treasury has aspirations to standardise financial reporting across government but has not set out how this will make the WGA more useful or accessible.***

5: PAC recommendation*: The Treasury should report against the progress of the work carried out by the Government Finance Function in the WGA given how key it is to improving both the production of the WGA and the insights it can provide. It should ensure its programme includes and accelerates plans to implement tools and processes to improve the information it gathers on cross-government issues such as EU Exit and COVID-19.*

5.1 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2021

5.2 The Government Finance Function is developing a performance framework to measure progress against the strategic deliverables it set out in its 2019 strategy and to drive enhanced insight across central government. The function will begin reporting in April 2021 and will use the performance framework to measure the overall impact of the function across the core finance activities set out in the *Government Finance Standard*. The convergence of finance processes and data standards to improve the comparability of data across departments is integral to this, enabling greater consistency and comparability of finance information. Additionally, minimum standards for board pack management information have been agreed by the Finance Leadership Group and are in the process of being embedded by departments, with a sub-set of early adopters due to implement in April 2021. HM Treasury is also piloting certified data analytics training in partnership with the Institute of Chartered Accountants in England and Wales (ICAEW) to enhance data analytical and visualisation skills.

5.3 A full review of the Government Finance Function's progress against the objectives set out in the 2019-2023 Government Finance Function Strategy is presented in the Function's *Annual Review 2020*. WGA 2019-20 will include a summary that will allow the public and Parliament a snapshot of the work of the Government Finance Function.

5.4 Consistent reporting of cross government spending remains a significant challenge, with consistent definitions, treatment of opportunity costs or allocations of staff costs to projects as barriers to consistent reporting of costs. However, the implementation of OSCAR 2 allows for more efficient gathering of data, as well as the potential for comparing data across organisations to generate insight. The convergence of finance data, technology and processes should allow for more comparability.

5.5 HM Treasury has also set out additional reporting requirements on EU Exit and COVID-19 for departmental Annual Reports and Accounts (ARA), as outlined to the Committee in the *Chief Secretary's letter of 3 December 2020*. The WGA 2019-20 performance report will include estimated expenditures on EU Exit and COVID-19, using the best available information, including departmental ARA as they become available.

6: PAC conclusion: ***The quality of the next WGA will suffer if the Treasury does not resolve challenges in its accounts production process.***

6: PAC recommendation*: The Treasury should set out how it is going to meet the challenging timetable it has set for the WGA 2019–20 without leading to a decline in the quality of the account.*

6.1 The government agrees with the Committee's recommendation.

Recommendation implemented

6.2 HM Treasury *wrote to the Committee on 25 January 2021* setting out some of the challenges in relation to meeting a pre-summer recess publication timetable for WGA 2019-20. This matter was then discussed with the Committee at the private session on 2 February 2021. As explained then, the aim is to publish WGA 2019-20 post summer recess 2021.

Thirty-Eighth Report of Session 2019-21

Department for Education

Managing colleges' financial sustainability

Introduction from the Committee

At April 2020, there were 242 colleges in England, comprising 192 further education (FE) colleges and 50 sixth-form colleges. Colleges educate and train 1.7 million adults and young people each year, many from disadvantaged groups or deprived areas.

Colleges in England received income totaling £6.5 billion in 2018/19, of which £5.1 billion (78%) was public funding. Most of this public funding was provided via the Education and Skills Funding Agency (the ESFA), an executive agency of the Department for Education (the Department). Colleges are autonomous bodies and make decisions independently of government; for example, government does not have the power to appoint or remove college staff, and colleges may make financial surpluses or deficits. The Department is responsible for the regulatory framework and policy governing post-16 education and training and is ultimately accountable for securing value for money from the public funding provided to colleges. It gains assurance mainly through the ESFA, which monitors colleges and intervenes where it has serious concerns, and the FE Commissioner, who acts as an independent adviser to the Secretary of State. In addition, Ofsted provides independent assurance about the quality of colleges' education and training provision.

Based on a report by the National Audit Office, the Committee took evidence on 26 November 2020 from the Department and the ESFA on managing the financial sustainability of colleges. The Committee published its report on 27 January 2021. This is the government response to the Committee's report.

Relevant reports

- NAO report: *Financial sustainability of colleges in England* – Session 2019-21 (HC 728)
- PAC report: *Managing colleges' financial sustainability* – Session 2019-21 (HC 692)

Government responses to the Committee

1: PAC conclusion: *For too long, the Department has lacked a proper integrated vision for the college sector.*

1: PAC recommendation: *The Department should make clear when it expects to set out funding commitments to support reforms proposed in the forthcoming White Paper.*

1.1 The government agrees with the Committee's recommendation.

Recommendation Implemented

1.2 The Department for Education's (the department) budgets for post-16 education and skills were outlined by the Chancellor of the Exchequer at the 2020 Spending Review, with further detail provided in the *Skills for Jobs White Paper*. The department will address post 2021-22 budgets at the 2021 Spending Review.

1.3 Funding rates for funding for 16-19 year olds in 2021-22 have now been published, confirming that the increased rates seen in 2020-21 will be maintained even though there has been an increase in student numbers over and above demographic projections and therefore there will be an increase in 2021-22 academic year funding allocations to institutions.

1.4 As regards capital, the government has already committed a £1.5 billion investment to upgrade further education colleges, with an initial £200 million allocated to further education colleges and designated institutions in September 2020 for immediate repairs and condition improvement. The remaining £1.3 billion will be invested over the next five years up to 2025-26. As part of this, the first bidding round for the *Further Education Capital Transformation Fund* was launched on 21 January 2021.

1.5 A total of £268 million has been committed for capital funding so far to support providers to deliver T Levels. Project approval for Wave 2 (2021 delivery) has begun, and the department will confirm allocations to all 2021 providers for specialist equipment later this year. £135 million will be made available for Wave 3 (2022 delivery), with applications for building work due to arrive by 26 March 2021 for decisions to providers by summer 2021, and specialist equipment allocations sent out in early 2022.

1.6 To support those post 16 providers who will find themselves with a pressing need for additional capacity in the academic year 2022-23 in order to meet the demographic increase in 16-18 year olds in their area, the government has committed £83 million capital funding in financial year 2021-22. More details on the Post 16 Capacity fund will be made available in the coming months.

2: PAC conclusion: *Rising pension costs are putting significant pressure on college finances.*

2: PAC recommendation*: The Department should write to us, within three months, setting out what it has done to assess pension cost pressures on colleges, and how it has taken account of these in its funding decisions.*

2.1 The government agrees with the Committee's recommendation.

Recommendation Implemented

2.2 A *letter was provided to the Committee* on 18 February 2021 setting out what the department has done to assess pension cost pressures and how it has taken account of these in its funding decisions

3: PAC conclusion: *It is clearly iniquitous that sixth-form colleges have to pay VAT while post-16 academies and sixth forms do not.*

3: PAC recommendation: *The Department should work with HM Treasury to assess the merits of making the rules on VAT consistent for schools and colleges.*

3.1 The government agrees with the Committee's recommendation.

Target implementation date: August 2021

3.2 State and academy education providers are typically engaged in 'non-business' activity as there is no charge for the education provided – this means there is no taxable supply made and value added tax (VAT) is not chargeable. Most of these said providers are covered by the Education Act 2011.

3.3 The meaning of 'business' is concerned with making supplies to other persons for any form of payment or consideration. Educational suppliers who engage in the provision of education (for example, higher or further education) for a charge are deemed to be 'in business' for VAT purposes - the sales of goods and services are taxed in the normal way. Education providers must register for VAT, if the taxable supplies go beyond the VAT threshold, in a similar manner as other businesses.

3.4 The department's Tax and Expenses Team will engage with its Customer Relationship Manager at Her Majesty's Revenue and Customs (HMRC) to explore the potential routes and efficacy of taking forward the Committee's recommendation. The department will also engage HMRC/HM Treasury (HMT) to gauge ministers' appetite for changing or implementing legislation to level-up across the education provider base.

4: PAC conclusion: *Successful implementation of the new T-level qualifications risks being delayed by a lack of work placements.*

4: PAC recommendation: ***The Department should write to the Committee before the start of the next academic year setting out what up-to-date assurance it has that there will be enough work placements for T levels. This should cover what impact the COVID-19 pandemic has had on the availability of placements and plans to incorporate virtual placements.***

4.1 The government agrees with the Committee's recommendation.

Target implementation date: July 2021

4.2 It is crucial that industry placements are high-quality to ensure that students have a successful T Level experience.

4.3 The department is monitoring the challenges that the COVID-19 pandemic is having on the delivery of industry placements. The first cohort of T Levels is relatively small, with approximately 1,300 students. The department has introduced some temporary flexibilities to placements to support their delivery, which includes reducing the number of minimum placement hours required for students on the Early Years Educator Occupational Specialism. The department has invested over £165 million since the 2018-19 academic year to help providers build capacity to deliver placements and is providing dedicated support to providers to help them source placements. The department has also implemented a package of support for employers, where they can access advice, workshops and webinars, and is running a pilot to test what financial support employers need to deliver placements. The department will continue to work closely with providers and employers to ensure it understands the delivery challenges and how to overcome them.

4.4 The department will write to the Committee in July 2021 to set out what assurances it has that there will be enough industry placements for T Levels; what impact the COVID-19 pandemic has had on the availability of placements; and what further support the department will put in place to ensure there are enough high-quality placements available for students.

5: PAC conclusion: ***The Department's funding decisions are based on previous years' student numbers, which risk holding back colleges that are growing.***

5: PAC recommendation: ***The Department should consider a change to the formula for funding colleges which takes account of real time or more recent information about student numbers. It should report back to us by the summer about how funding could be delivered that better reflects colleges' real time position.***

5.1 The government agrees with the Committee's recommendation.

Target implementation date: June 2021

5.2 Each year, the department looks at in-year recruitment by providers of students aged 16-19 years and, subject to affordability, provides top-up 'in year growth' funding to help those that have seen a particularly large increase relative to their funding allocation. This helps with the additional in-year costs of supporting extra students, typically at 50% of the normal funding rate. However, to ensure institutions do not need to cut back in-year, there is no downward adjustment in-year if there is a shortfall in student recruitment.

5.3 In this academic year 2020-21, there has been a significant recruitment of students over and above not only allocations but also what had been expected from increased numbers of young people in the population. It seems likely this is due to the COVID-19 pandemic.

5.4 In response, the department has lowered the thresholds for the in-year growth exercise, to recognise the funding pressures that many institutions are facing in 2020-21 academic year. Institutions with significant levels of growth will receive the same level of growth funding this year (academic year 2020-21) as they would have under last year's process (in academic year 2019-20), but this year institutions with more modest levels of over-delivery will also receive some growth funds.

5.5 By end February 2021, institutions eligible were notified of an updated allocation based on the student numbers they reported at the start of December 2020.

5.6 For 19+ funding, the department agrees that funding could be delivered better, and this is set out in the *Skills White Paper*. As such, the department is currently developing a consultation on how a change to the formula for funding colleges could help reduce burdens, improve stability and increase high-value provision. The policies under development are being tested with the sector, and the department is considering the advantages, disadvantages and possibilities of a system based on real time activity.

6: PAC conclusion: *The Department's, the ESFA's and the Further Education Commissioner's approach to intervention takes too long, costs too much and is not effective in making colleges more sustainable.*

6: PAC recommendation: *The Department should set out within three months what actions it plans to take to improve its intervention arrangements, and how it will assess the success of these actions.*

6.1 The government agrees with the Committee's recommendation.

Target implementation date: May 2021

6.2 The department will consult with sector stakeholders to review and publish an update to its *college oversight: support and intervention policy* in May 2021. This will set out the Education and Skills Funding Agency's role as Regulator for the department, in respect of securing compliance and taking intervention action, and address the recommendations made the Committee, and those identified in *the Independent Review of College Financial Oversight* conducted by Dame Mary Ney DBE, published in July 2020. The Committee will be provided with a copy of the updated policy.

7: PAC conclusion: *Students are losing out as colleges cut mental health and other support services in response to financial pressures.*

7: PAC recommendation: *The Department should undertake research into the extent to which college support services are meeting students' needs, including canvassing the views of students themselves. In its Treasury Minute response, we expect the Department to give a firm commitment to taking this action, and details of the timetable for the research.*

7.1 The government agrees with the Committee's recommendation.

Target implementation date: August 2021

7.2 The department will be conducting a survey looking at the experiences of Further Education learners during the COVID-19 pandemic outbreak for the 2020-21 academic year. This survey will be run on a national scale, to provide greater insight into the pandemic impacts. It will focus on areas including pastoral support and quality of teaching in addition to remote learning, lost learning and apprentices' experiences with their employer and training provider.

7.3 The survey will enable learners to feed back to the department on their experience, which will help inform future policy development.

7.4 The department is currently working with the contractors on the design of the questionnaire. It will be finalised in March 2021 before being piloted. Fieldwork will take place in the summer term of 2021 and the survey results will be published as soon as possible after that.

Thirty-Ninth Report of Session 2019-21

Infrastructure and Projects Authority, Cabinet Office, HM Treasury

Lessons from major projects and programmes

Introduction from the Committee

The government's major projects and programmes range from transport infrastructure, military capability and nuclear projects, information technology (IT) and digital programmes through to ones to improve school or government buildings. The Government Major Projects Portfolio (GMPP), which includes government's largest, most innovative and most risky programmes, currently includes 125 major programmes at a combined whole-life cost of £448 billion. Many programmes combine bespoke features and new technology, and aim to be transformational, whether that is transforming services, communities or departmental systems. These factors, along with the scale of government major programmes and the impacts they have on affected communities, create challenges in their delivery. Government must successfully overcome these challenges in order to best secure public value from the significant amounts it invests in major programmes.

The Infrastructure and Projects Authority (IPA) is the government's centre of expertise for infrastructure and major projects. The IPA provides expert project delivery advice, support and assurance to government departments, and works with industry to ensure that projects are delivered efficiently and effectively, and to improve performance over time. It leads the project delivery and project finance profession across government, and the embedding of lessons learned. It also oversees the GMPP which aims to improve the delivery of the government's biggest and riskiest projects by increasing transparency and providing independent assurance, with recommendations which Departments must act upon for programmes to progress further.

Based on a report by the National Audit Office, the Committee took evidence on 30 November 2020 from the Infrastructure and Projects Authority. The Committee published its report on 29 January 2021. This is the government's response to the Committee's report.

Relevant reports

- NAO report: *Lessons Learned from Major Programmes* – Session 2019-21 (HC 960)
- PAC report*: Lessons from major projects and programmes* – Session 2019-21 (HC 694)

Government responses to the Committee

1: PAC conclusion: *We are concerned about the value for money risks resulting from the significant increase in investment, speed of delivery and changes to how government makes investment decisions.*

1: PAC recommendation*: Within six months, HM Treasury must write to us setting out how it has assured itself that the public and private sectors have the capacity to deliver on its investment commitments, and how it intends to make rigorous investment decisions in future, in particular, through its commitment to public value statements and amendments to the Green Book.*

1.1 The government agrees with the Committee's recommendations.

Target implementation date: August 2021

1.2 HM Treasury has taken significant steps to ensure that the public and private sectors have the capacity to deliver on its investment commitments and this was a priority ahead of the 2020 Spending Review. To support this, government departments worked with functional experts on key programmes and deliverability and feasibility were integrated into the planning and spending process, for example by requiring departments to use the Infrastructure and Projects Authority (IPA) deliverability checklist in their spending proposals. Further scrutiny was applied by a technical appraisal panel on the analysis of specific capital proposals where required.

1.3 Spending Review 2020 also embedded a new focus on real-world outcomes and tied spending and performance more closely together, to ensure that spending delivers value for money. Provisional priority outcomes were published for each UK government department, capturing the government's long-term policy objectives, from reducing crime to improving education standards across the country. This outcomes-focused approach is part of implementing the Public Value Framework and will place real-world outcomes front and centre in departmental planning and delivery.

1.4 HM Treasury has also established Project Speed, in collaboration with 10 Downing Street and the IPA, to deliver infrastructure projects better, greener and faster. Around 85 Project Speed reforms were announced in the *National Infrastructure Strategy* in November 2020. The department is now focused on implementing these reforms alongside developing new options to ensure the government is able to deliver on its investment commitments in a timely manner.

1.5 HM Treasury will write to the Committee within six months setting out further information on these measures.

2: PAC conclusion: ***We are concerned about the continued lack of transparency to Parliament about the progress of government projects.***

2a: PAC recommendation*: HM Treasury and Cabinet Office must set out what they are doing to make sure that information on the progress of major projects is transparent and reported to Parliament in a more timely manner, particularly for those projects that are nationally important.*

2.1 The government agrees with the Committee's recommendation.

Target implementation date: July 2021

2.2 The IPA recognises that, to enable effective parliamentary scrutiny, the right type and amount of information about major projects needs to be made available in a timely fashion and appropriate format. This needs to be done with sensitivity to commercial, and where relevant national security, considerations.

2.3 The IPA's Transparency Policy includes a presumption in favour of the publication of major project data. Each piece of data or information is assessed on a project-by-project basis, and any exemption made is consistent with the Freedom of Information Act and the government's approach to the public interest test.

2.4 The IPA publishes an annual report of projects on the Government Major Projects Portfolio (GMPP) each July. This report includes an analysis of trends across the whole portfolio and insights on each individual project or programme. As part of a comprehensive refresh of the structure and content of the annual report - aimed at addressing recommendations made by the Committee in June 2020 - the IPA has taken significant steps to improve data collection and analysis processes. As a result, the data in this year's report will be current as of March 2021, instead of September 2020, halving the lag time from nine months last year to four this year. As part of this refresh, the IPA will also publish aggregate GMPP projects benefits data.

2.5 As the Committee acknowledges, from April 2021 projects on the GMPP will begin publishing summary business cases following final approval, a close-out report following completion and other long-term evaluations.

2b: PAC recommendation*: HM Treasury and Cabinet Office should also set out what they are doing to make sure that all Accounting Officers comply with the rules around making assessments of major projects (against the criteria of propriety, regularity, feasibility and VFM) and to publish summaries of this advice on a timely basis.*

2.6 The government agrees with the Committee's recommendation.

Target implementation date: August 2021

2.7 Accounting officers (AOs) are required to prepare assessments of GMPP projects when their approval of an Outline Business Case is requested. An updated assessment should be prepared at subsequent stages of the project if it departs from the four standards or the agreed plan which informed the previous approval. It is for the senior responsible owner (SRO) of the project to decide whether this is necessary.

2.8 HM Treasury requires a summary of the key points from the assessments to be provided to Parliament. Additionally, Parliament is able to challenge AOs on a decision not to publish an assessment, for example in those exceptional cases where the project is so sensitive that no disclosure of it can be made in the public domain. Parliament may also challenge SROs on the necessity of producing updated assessments at subsequent stages of the project's life cycle.

2.9 HM Treasury, the IPA and Cabinet Office will be working to strengthen existing guidance to departments on the Treasury Approvals Process, ensuring the development of assessments are an important part of the approvals process at Outline Business Case and beyond.

2.10 In line with Spending Review 2020 settlement conditions, from April 2021 quarterly meetings between HM Treasury, the IPA and departments will be held to discuss and monitor systemic matters that cut across portfolios, including best practice in making assessments of major projects.

2.11 The IPA will write to the Committee within six months to update it on progress made.

3: PAC conclusion: ***We welcome the IPA's plans to strengthen how it assures government's major projects and the recent clarification of its roles and responsibilities, but it remains to be seen whether the IPA will be able to effectively ensure those delivering projects make the level of improvement required.***

3: PAC recommendation***: Within six months IPA must write to us setting out the changes it has made to its assurance of major programmes in its reset, and how this will improve project delivery. It should also set out what action it took in relation to those projects on the GMPP currently rated as red/red-amber, and what the result has been. The Cabinet Office and HM Treasury should also write to us detailing the actions taken to ensure that Departments act on the IPA's recommendations.***

3.1 The government agrees with the Committee's recommendation.

Target implementation date: August 2021

3.2 In 2020, the IPA worked across government to ensure that every project that meets the eligibility criteria is included in the GMPP, which has led to an increase in the size of the portfolio. The IPA encourages departments to notify it of prospective major projects as soon as possible in the policy formulation process. In doing so, the IPA has improved its ability to provide the right support and scrutiny of projects and embed deliverability principles early, including through the recently published *Principles for Project Success* and the *Project Initiation Routemap*.

3.3 The IPA recently separated its support and assurance functions to ensure evaluations of projects are consistently robust and impartial. From 2021, the GMPP RAG rating system will be simplified from five categories (Red, Red/Amber, Amber, Amber/Green, Green) to three (Red, Amber and Green). The focus of IPA assessment will shift from 'overall delivery confidence' to the singular question of whether a project is ready to progress through the next HM Treasury Approval Point. The IPA's support will now be required for advancement, rather than being merely advisory. Projects ranked red will not be permitted to proceed until issues are managed to an acceptable level of risk. Projects ranked amber will proceed with conditions, including a duty to report back at an agreed date. Projects ranked green will proceed without conditions, subject to usual quarterly data returns and monitoring.

3.4 As of September 2019, 43 projects were assigned Red or Amber/Red. The reasons for this varied by project. The IPA will write to the Committee within six months to update it on the actions taken and progress made on these projects.

4: PAC conclusion: ***There is scope for a more mature approach to setting and monitoring cost and schedule estimates by using ranges which narrow over time.***

4: PAC recommendation***: The IPA should encourage and support departments to use ranges for cost and schedules estimates, rather than single point numbers, and write to us setting out how it is scrutinising and improving cost and schedule estimates on major programmes.***

4.1 The government agrees with the Committee's recommendation.

Target implementation date: April 2021

4.2 In January 2021, the IPA Chief Executive Officer (CEO) addressed permanent secretaries, requesting that they insist their teams are more realistic and evidence-driven in their approach to estimations of major project cost and schedule. The IPA will formally set out new requirements of departments, on a comply or explain basis, in *Best Practices for Cost Estimating* which will be published in March 2021. This will include a requirement to use ranges that are gradually narrowed as certainty emerges. The IPA will offer additional training to SROs on cost estimation later in 2021.

4.3 The IPA is working to develop a centralised data platform to aggregate and leverage past government project data to underpin, challenge and assure future project estimations of cost and schedule. This platform will be piloted across a number of asset classes from March 2021.

5: PAC conclusion: ***The calibre and number of people in leadership positions in major projects is still not strong enough.***

5a: PAC recommendation***: All SROs and people who work in the project delivery profession should attend IPA's major projects leadership academy. Cabinet Office and HM Treasury should make sure all departments comply, including ensuring that all SROs have sufficient skills and time to be able to undertake their responsibilities. They should write to us to explain how they have assured themselves that this is happening.***

5.1 The government agrees with the Committee's recommendation.

Target implementation date: August 2021

5.2 The government recognises the importance of appropriate training and continual professional development for all people working on major projects. For clarity, the Major Project Leadership Academy (MPLA) is only one of the training programmes offered or endorsed by the IPA. It has been designed to meet the specific needs of SROs and project directors (PDs) of GMPP projects and programmes. Attendance for these professionals is mandatory. SROs and PDs on non-GMPP projects should instead attend the IPA Project Leadership Programme (PLP). PLP is being refreshed and will be relaunched in Spring 2021. MPLA will be refreshed and relaunched in 2022. Other project professionals are encouraged to attend an alternative course more suited to their role, of which a number are available.

5.3 The IPA also offers training to those who are not members of the project profession but are responsible for providing oversight, such as director generals and permanent secretaries, and a new programme for ministers is now being piloted.

5.4 The refreshed *IPA Mandate*, published in January 2021, outlines requirements that are incumbent upon departments in managing their project leadership personnel. This includes a requirement that all SROs to receive a letter confirming their appointment, the expected time commitment, tenure and necessary training. In addition, departments must appoint a designated Head of Function and Head of Profession and notify HM Treasury and the IPA if it is proposed that one person acts as SRO on more than one major programme. From 2021, the IPA CEO's approval will be required for all SRO appointments to major projects in the GMPP and an SRO will not be permitted to leave their role for another post in government without their consent.

5.5 The IPA will write to the Committee within six months to update it on the progress made.

5b: PAC recommendation*: The IPA should update us in six months about how many people and in which positions, have been accredited and across which departments. It should also explain how it plans to roll out its training to the government project delivery profession as a whole, and whether the government now has, in its opinion, enough SROs to manage the number and scale of projects promised.*

5.6 The government agrees with the Committee's recommendation.

Target implementation date: August 2021

5.7 As highlighted by Lord Maude's review, the government recognises the importance of having the right functional expertise and is taking action to address this, including within the project delivery profession.

5.8 The IPA maintains a cross-government register of project professionals and their accreditations, which is used to enforce compliance with agreed baseline standards and encourage uptake of continual professional development opportunities. Building on a number of other successful initiatives to support project professionals, in 2021 the IPA will launch the Government Projects Academy to standardise the approach to training and accreditation across government and link it to external standards. It will set prerequisite, hands-on experience required to assume different levels of project responsibility. These changes will be piloted throughout 2021 and the IPA will write to the Committee to update it on the progress made over the next six months.

5.9 The IPA produces insights on project profession capacity and capability, disaggregated at both departmental and individual project levels. These are based on data provided by departments on a quarterly basis and the IPA is exploring ways to streamline reporting processes and reduce data lag-time. The IPA has recently enhanced its capability for analysing and interpreting these data through new SRO and PD dashboards. This enables challenges to be identified and remedial actions to be agreed with departments and quickly, and for improvements to be tracked.

6: PAC conclusion: ***It is vital that Parliament's own major project, the Restoration and Renewal programme, is an exemplar of an open and transparent project which welcomes scrutiny.***

6: PAC recommendation*: The government and Parliament should work together to establish a framework for how the IPA will scrutinise and assure the R&R project.*

6.1 The government disagrees with the Committee's recommendation.

6.2 The government recognises the importance of the Restoration and Renewal project and the complex challenge it presents. As the Committee acknowledges, R&R is a parliamentary rather than a government project. Therefore, it is not part of the GMPP and so not subject to HM Treasury Approval Points. While the IPA has provided informal advice at the request of the Sponsor Body and Delivery Authority, the IPA is not part of the *'Parliamentary Relationship Agreement'* or the *'Programme Delivery Agreement'*, which formalise the programme's assurance regime. The IPA can continue to provide informal advice on the project where requested, but with respect for the sovereignty of Parliament, any responsibility for formally scrutinising or assuring the project must be based on an invitation from Parliament and amendment to the existing agreements.

Treasury Minutes Archive[1]

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

Session 2019-21

Committee Recommendations: 272
Recommendations agreed: 246 (90%)
Recommendations disagreed: 26

Publication Date	PAC Reports	Ref Number
July 2020	Government response to PAC reports 1-6	CP 270
September 2020	Government responses to PAC reports 7-13	CP 291
November 2020	Government responses to PAC reports 14-17 and 19	CP 316
January 2021	Government responses to PAC reports 18, 20-24	CP 363
February 2021	Government responses to PAC reports 25-29	CP 376
February 2021	Government responses to PAC reports 30-34	CP 389
March 2021	Government responses to PAC reports 35-39	CP 409

Session 2019

Committee Recommendations: 11
Recommendations agreed: 11 (100%)
Recommendations disagreed: 0

Publication Date	PAC Reports	Ref Number
January 2020	Government response to PAC report [112-119] 1 and 2	CP 210

Session 2017-19

Committee Recommendations: 747
Recommendations agreed: 675 (90%)
Recommendations disagreed: 72 (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 72-77	CP 79
May 2019	Government responses to PAC reports 78-81 and 83-85	CP 97
June 2019	Government responses to PAC reports 82, 86-92	CP 113
July 2019	Government responses to PAC reports 93-94 and 96-98	CP 151
October 2019	Government responses to PAC reports 95, 99-111	CP 176
January 2020	Government response to PAC report 112-119 [1 and 2]	CP 210

[1] List of Treasury Minutes responses for Sessions 2010-15 are annexed in the government's response to PAC Report 52

Session 2016-17

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

Publication Date	PAC Reports	Ref Number
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[2]	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%)

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

[2] Report 32 contains 6 conclusions only.

Treasury Minutes Progress Reports Archive

Treasury Minutes Progress Reports provide updates on the implementation of recommendations from the Committee of Public Accounts. These reports are Command Papers laid in Parliament.

Publication Date	PAC Reports	Ref Number
November 2020	Session 2010-12: updates on 1 PAC report Session 2013-14: updates on 1 PAC report Session 2015-16: updates on 0 PAC reports Session 2016-17: updates on 7 PAC reports Session 2017-19: updates on 73 PAC reports Session 2019: updates on 2 reports	CP 313
February 2020	Session 2010-12: updates on 2 PAC reports Session 2013-14: updates on 1 PAC report Session 2015-16: updates on 3 PAC reports Session 2016-17: updates on 14 PAC reports Session 2017-19: updates on 71 PAC reports[3]	CP 221
March 2019	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 7 PAC reports Session 2016-17: updates on 22 PAC reports Session 2017-19: updates on 46 PAC reports[4]	CP70
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	Cm 9668
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
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 2017	Session 2010-12: updates on 1 PAC report Session 2013-14: updates on 5 PAC reports Session 2014-15: updates on 7 PAC reports Session 2015-16: updates on 18 PAC reports	Cm 9407
July 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

3 Includes updates to Treasury Minutes published up to July 2019
4 Includes updates to Treasury Minutes published up to October 2018

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
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
July 2014	Session 2010-12: updates on 60 PAC reports Session 2012-13: updates on 37 PAC reports	Cm 8899
February 2013	Session 2010-12: updates on 31 PAC reports	Cm 8539

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