



HM Treasury

# Treasury Minutes

**Government responses to the Committee of Public Accounts on the Forty-Fifth to the Fifty-First reports from Session 2019-21**





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

May 2021

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

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# Forty-Fifth Report of Session 2019-21

## The Department for Environment, Food & Rural Affairs

### Managing flood risk

#### Introduction from the Committee

The Agency estimates that 5.2 million properties in England are at risk of flooding. There are different types of flooding: river, coastal, surface water (when rainfall cannot drain away), sewer flooding and groundwater flooding (where the water table level rises above ground). Flood risks are managed in a number of ways ranging from early warning systems to building flood defences. The Department has the policy lead for flooding. The Agency is an executive non-departmental public body, sponsored by the Department. It has a strategic overview role and an operational role to manage the risk of flooding from main rivers, reservoirs, estuaries and the sea. Other bodies are responsible for managing local flood risks. The Agency is on track to achieve its target to better protect 300,000 homes through its £2.6 billion capital investment programme (2015–16 to 2020–21)<sup>1</sup>. Government has increased future capital investment to £5.6 billion between 2021–22 and 2026–27.

Based on a report by the National Audit Office, the Committee took evidence, on Thursday 14 January 2021 from the Department for Environment, Food and Rural Affairs (the Department) and the Environment Agency (the Agency). The Committee published its report on 26 February 2021. This is the government's response to the Committee's report.

#### Relevant reports

- NAO report: [Managing flood risk](#) – Session 2019-21 (HC 962)
- PAC report: [Managing flood risk](#) – Session 2019-21 (HC 931)

#### Government response to the Committee

**1: PAC conclusion: *The Department is not doing enough to challenge the Agency's performance and hold it to account.***

**1: PAC recommendation: *The Department should immediately strengthen its scrutiny of the Agency so that its new approach is in place for the new investment period starting in April 2021 and should report to us by July 2021 on how the new scrutiny arrangements are operating.***

1.1 The government agrees with the Committee's recommendation.

#### Recommendation implemented

1.2 The Department for Environment, Food and Rural Affairs (the department or Defra) and the Environment Agency (the Agency) already undertake robust assurance of the individual projects within the capital programme, as set out in both the department's and the Agency's Integrated Assurance and Approvals Strategies (IAAS). The rigour of these arrangements is evident in the recent successful completion of the previous six-year capital programme, on time and on budget.

1.3 In line with the Committee's recommendation, the department is implementing enhanced oversight and assurance of programme delivery. This work will be overseen by a dedicated new Defra board with a remit covering both the capital programme and asset maintenance. The board will undertake quarterly monitoring and assurance of performance against a new suite of key performance indicators (KPIs) as well as taking an independent view of programme risks, with the ability to commission external evidence as required to support assurance.

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<sup>1</sup> The Environment Agency and partners have now completed more than 700 projects to better protect more than 300,000 homes since 2015, exceeding the target. [Press release](#)

1.4 The KPIs will track the programme's outcomes and benefits (including properties better protected and relevant environmental and economic benefits and nature-based solutions) to ensure that the department and the Agency can identify new or ongoing issues in delivering the capital programme and allow for greater scrutiny and accountability.

1.5 The headline metrics will be detailed in the Investment Plan published in Spring 2021 and the broader, full suite of KPIs (including financial metrics) will be included in the new investment programme. An initial set of changes have been put in place for the start of the new programme and further work is planned to build on this during 2021-2022, drawing on external expertise to inform Defra's independent approach.

**2: PAC conclusion: Scarce local authority resources and low levels of private sector investment are barriers to the effective management of flood risks, especially given the impact of Covid-19.**

**2: PAC recommendation: The Department and the Agency should identify areas where there is likely to be a shortfall in local authority resources and private sector contributions to ensure the effective management of flood risk in local areas. They should report to us on their assessment by July 2021.**

2.1 The government agrees with the Committee's recommendation.

**Target Implementation date:** alongside Spending Review 2021

2.2 The Agency tracks partnership funding for the capital programme monthly to identify what contributions need to be secured. The Agency also monitors those schemes that most reduce flood risk but are at highest risk of not delivering to focus on viable schemes where shortfalls in funding are preventing their progression. The government's policy statement of June 2020 on flood and coastal erosion risk management (FCERM) sets out a number of actions that will further strengthen incentives for generating partnership funding.

2.3 Funding for flood risk management is part of the overall Local Government Settlement. Depending on local decisions, the settlement for 2021-22 will see councils' core spending power in England rise from £49 billion in 2020-21 to up to £51.3 billion in 2021-22, a 4.6% increase in cash terms. The majority of local government funding is un-ringfenced, recognising that local authorities are best placed to decide how to meet the major service pressures in their local areas.

2.4 The government has committed to review local government funding for statutory flood and coastal erosion risk management functions, and as part of Spending Review 2021 (SR21) is considering the priorities for local government finance reform, including how funding is allocated to councils.

**3: PAC conclusion: In 2014 the NAO report on strategic flood management found there was a profusion of plans that often duplicate across geographical or administrative areas.**

**3: PAC recommendation: Defra should write to the Committee within 6 months with an update on the opportunities to streamline local planning and with a timeline for implementation of any reforms.**

3.1 The government agrees with the Committee's recommendation.

### **Recommendation implemented**

3.2 The department is exploring opportunities to streamline local flood risk planning and has committed to transform the current approach to local flood and coastal erosion risk planning so that every area of England will have a more strategic and comprehensive plan that drives long-term local action and investment by 2026. The department will consult on these reforms in due course and intends to implement the updated approach to local flood risk planning ahead of the start of future capital programmes to enable stronger links between plan making and investment.

3.3 Ahead of these longer-term changes, and by example, the Agency is working closely with Lead Local Flood Authorities to update existing Flood Risk Management Plans and aims to consult on updated draft plans in Autumn 2021.

**4: PAC conclusion: *Short-term funding cycles are impacting on the Agency's ability to manage flood risks effectively.***

**4a: PAC recommendation: *The Department and the Agency should work with HM Treasury to reduce the adverse impacts of short-term funding cycles.***

4.1 The government agrees with the Committee's recommendation.

**Target implementation date:** ongoing ahead of Spending Review 2021

4.2 The government recognises that there can be benefits to setting budgets for key priorities on a multi-year basis. This is why the government has taken a multi-year approach to flood and coastal defence investment, now commencing its second six-year floods programme. Between 2015 and 2021, £2.6 billion has been invested across six years and starting in April 2021 a record £5.2 billion will be invested in the next six-year capital investment programme for flood defences. This investment will deliver around 2,000 flood schemes and will better protect 336,000 properties from flooding.

4.3 Defra and the Agency recognise the need to ensure a smooth transition across programmes. That is why they have worked jointly with HM Treasury to bring forward £100 million of capital development funding into the final year of the 2015-21 programme.

4.4 Between 2015 and 2020, the government significantly increased funding for the maintenance of flood defence assets and wider maintenance, for example river conveyance work. The government will continue to review future budgets as part of SR21.

**4b: PAC recommendation: *The Government should also undertake a cost benefit assessment of the level of funding needed to maintain flood defences and flood risk management assets both at and above current Environment Agency target condition.***

4.5 The government agrees with the Committee's recommendation.

#### **Recommendation implemented**

4.6. In 2018, the Agency undertook a detailed review of its flood and coastal risk management maintenance investment to better understand the optimum maintenance approaches and cost benefit of maintenance work for assets owned by the Agency. The review found there is a strong economic case backed by evidence, to maintain or increase investment in maintenance and that maintenance delivers an average return on investment of over 11:1. This review is updated regularly and the next full review of maintenance investment is scheduled to take place in 2023. Defra, the Environment Agency and HM Treasury will continue to review the costs and benefits of maintenance investment to inform future spending reviews.

4.7 The Agency operates, maintains and replaces national flood and coastal defences with a value of £26 billion; 7,000km of river and coast defences, 20,000 structures such as pumping stations and tidal barriers including the Thames Barrier. These assets reduce the risk of flooding to 1.8 million households and provide to the nation an estimated reduction in annual average flood damages of £2.8 billion.

4.8 The Agency's maintenance programme works to makes the most effective use of its resources. Its assessment is that the optimum target for its highest risk assets is that 98% of them are at the 'required condition'. The 'required condition' of an asset is set so that remedial work can be planned and delivered before the asset deteriorates to a state where flood risk is significantly increased. Where there is an increased risk, the Agency will take mitigating action to manage that risk until a repair is completed and inform third party owners of actions they may need to take.



**4c: PAC recommendation: *The Environment Agency should have a duty to maintain flood defence assets;***

4.9 The government disagrees with the Committee's recommendation.

4.10 The Agency regularly inspects over 175,000 flood risk management assets on main rivers. These include assets maintained by the Agency, other risk management authorities (RMAs) and third parties.

4.11 The Agency currently operates under permissive powers for maintenance which enable it to make informed choices on prioritisation, allocation of funding, and how and when to intervene to repair or restore assets. The Agency also has an overview role of other RMA assets, such as those from local authorities or internal drainage boards (IDBs).

4.12 Implementing a duty on the Agency to maintain assets, would require imposing a specific standard of maintenance that would need to be upheld both by the Agency and other RMAs. This would result in the Agency and other RMAs being liable for damages should this standard fail to be met. If the duty was imposed on the Agency, then all flood defence maintenance costs for local authorities, IDBs, water PLCs, highways and the rail network, as well as private and commercial asset owners would fall on the public purse. This would cut across the decommissioning and transferring of low benefit/cost assets in line with the maintenance protocol and implementing coastal retreat policies. It would also then prevent the Agency from being able to maintain assets in a way that creates climate resilient places by removing the discretion in prioritising and allocating finite funding to areas of greatest risk and taking account of climate change (2020 National Flood and Coastal Erosion Risk Management Strategy).

**4d: PAC recommendation: *and the Government should commit to maintenance funding in revenue funding settlements for longer-term security.***

4.13 The government agrees with the Committee's recommendation.

#### **Recommendation implemented**

4.14 Following Spending Review 2020, the government is increasing the amount it invests in maintenance for 2021-22. The department will continue to work with HM Treasury and the Agency to review future maintenance budgets at Spending Review 2021.

4.15 The government recognises the importance of maintaining existing flood defence assets to ensure they are delivering a required standard of protection in a changing climate. Between 2015 and 2020, the government significantly increased funding for the maintenance of FCERM assets and wider maintenance work compared to its spend in the previous five years. In addition, at Budget 2020, the government provided additional funding of £120 million for 2020-21 to repair assets damaged in the autumn and winter floods of 2019-2020 where exceptional flooding affected 4,600 properties.

**5: PAC conclusion: *The current indicators used to monitor national flood risk do not cover important elements such as risks to agricultural land, business premises, and infrastructure.***

**5: PAC recommendation: *The Department's new set of national flood risk indicators should incorporate all types of flood risk to ensure they provide a full picture of what is happening to flood risk including for homes, non-residential property, agricultural land, and infrastructure across England and should facilitate the comparison of flood risk across previous years so progress can be clearly assessed.***

5.1 The government agrees with the Committee's recommendation.

**Target implementation date:** Spring 2022

5.2 The department and the Agency are developing a framework for understanding overall flood risk. This framework uses an improved method for calculating the risk reduction achieved by the capital

investment programme alongside changes in risk due to other factors such as housing development, climate change and the condition of flood defence assets. Flood risk will be measured using expected annual damages (EAD) and changes to numbers of properties at different flood likelihood. During 2021, further work will be done to improve these measures, more accurately identifying the contribution of different factors, including the capital investment programme, to changes in overall risk. The Agency will also consider what changes could be made to the current National Flood Risk Assessment (NaFRA) to improve the interim position before a new NaFRA becomes available in 2024.

5.3 This work on understanding overall flood risk includes the development of a set of KPIs that will better track progress of the 2021-2027 capital programme specifically. By Spring 2022, the department will have in place the full suite of metrics (KPIs), agreed with the Agency, and a new oversight process that will aid in monitoring flood risk. Methods of data collection, validations and reporting will be subject to ongoing refinement once the metrics are in place.

5.4 In addition, the department has committed to develop an overall national set of indicators by Spring 2022 to monitor trends over time in tackling flood and coastal erosion in England. These will enable a better understanding of the impacts of government's policies and will inform future action. The department will set out further details in due course.

**6: PAC conclusion: *The Department has not ensured that all regions, deprived areas in particular, get a fair share of the available funding.***

**6: PAC recommendation: *The Department and the Agency should undertake and publish annual analysis of investment levels across regions and deprived areas. This should be followed up by appropriate action to reduce any funding inequality. Annual analysis and reporting should start at the end of the first year of the next investment period (March 2022).***

6.1 The government agrees with the Committee's recommendation.

**Target implementation date:** Spring 2022

6.2 The government invests wherever flood risk is highest across the country, and where it will benefit the most people and property. This is reflected in the government's Partnership Funding policy which allocates funding as grant in aid (GiA) for flood and coastal defence projects. This provides a fair and consistent basis for allocating GiA and securing wider contributions where others stand to benefit from a defence scheme. Households in the 20% most deprived parts of the country continue to qualify for funding at 2.25 times the rate than that available to non-deprived households. The government will monitor the performance of the FCERM flood defence investment programme, including regional investment, to ensure it continues to better protect and better prepare communities and properties across England.

6.3 Going forward, the department will be working with the Agency to report on properties better protected in deprived areas and investment by Office for National Statistics (ONS) region through its KPIs to track performance against our investment policy. These reports will be reviewed by a new governance board which will be in place to review and track progress across the next investment period.

6.4 More widely, the department has committed to strengthen reporting of progress towards its goals so that it is clearer and more accessible, and to consider how the existing arrangements can be improved, by Spring 2022. The department will consider how the changes in monitoring of investment across regions and deprived areas can be incorporated as part of this wider work.

6.5 Flood and coastal defence schemes can also have local economic benefits. The department is exploring as part of the [Call for Evidence on Partnership funding policy](#), how the department can further support the resilience of lower performing local economies and small communities to flood and coastal erosion risks.

**7: PAC conclusion: *We are not convinced that the Department has yet done enough to address the difficulties those recently flooded have in getting affordable insurance.***

**7: PAC recommendation: *The Department should write to us by April 2021 setting out the findings of its research into non-take up of insurance and how it is going to ensure remaining obstacles to obtaining affordable insurance are addressed. It should include what it is doing to overcome the obstacles to households implementing property-level flood resilience measures.***

7.1 The government agrees with the Committee's recommendation

#### **Recommendation implemented**

7.2 The department [wrote to the Committee](#) on 7 April 2021 in response to this recommendation.

7.3 The Independent Review of Flood Insurance in Doncaster, published on 5 November 2020, made 12 proposals that government is considering. One of the proposals suggests the department repeats the 2018 research into the affordability and availability of flood insurance for households and small and medium sized enterprises. This research is due to commence in Spring 2021 and run until Autumn 2022. The research, the department's fourth since 2013, will identify trends in relation to the availability and affordability of flood insurance and explore the number of policies with flood exclusions.

7.4 On 1 February 2021, government published a consultation on proposed changes to improve the efficiency and effectiveness of the Flood Re scheme and to accelerate uptake of Property Flood Resilience (PFR). The government also published a Call for Evidence (CfE) on 1 February 2021 seeking evidence on key PFR enablers to inform policy development and action required to drive PFR uptake. The government will be publishing its response to these in due course.

7.5 The government further supports the installation and development of an effective PFR market through the £5.2 billion capital investment programme, the PFR recovery grant scheme, three regional Property Flood Resilience Pathfinders and through the PFR Roundtable.

7.6 At the 2020 Budget, the government announced a new £200 million 'place-based resilience programme' to run to 2027 which will help over 25 local areas to take forward wider innovative actions that improve resilience to flooding and coastal erosion, including PFR.

**8: PAC conclusion: *Despite the known risks, there are still plans to build houses on flood plains.***

**8a: PAC recommendation: *Planning policy guidance notes should be strengthened to avoid new builds in areas prone to flooding wherever possible, but in any case, the environment agency should be involved in measures to mitigate the risk.***

8.1 The government disagrees with the Committee's recommendation.

8.2 Government agrees that not building in flood prone areas is and should remain a key principle but recognises that in some parts of the country there may not be any alternative space to develop and support economic growth. The National Planning Policy Framework (NPPF) already provides a strong steer to avoid development in high-risk areas, including strict tests to protect people and property from flooding. Where these tests are not met, national policy and guidance is clear that new development should not be allowed.

8.3 Where development is considered necessary, it should be made safe for its lifetime without increasing flood risk elsewhere, while also providing wider sustainability benefits to the community. The recent consultation on changes to the NPPF clarifies some aspects of policy from the emergent findings of our review of planning policy for flood risk. The Planning White Paper is committed to ensuring that the reformed planning system will support our efforts on avoidance of flood risk. A response later this year will set out decisions on the proposed way forward.

8.4 The Agency has an important role in the planning system and is a statutory consultee for the preparation of local and neighbourhood plans. The Agency must be consulted on planning applications in flood risk zones 2 and 3, and in areas with critical drainage problems. It can also provide standing advice on flood risk assessments for certain developments. The vast majority of planning decisions are determined in

line with the Agency's advice, over 95% in 2019-20, and over 97% of new homes proposed complied with the Agency's advice.

**8b: PAC recommendation: *The Department should report to us by July 2021 on the outcome of its discussions to date with MHCLG on reforms to the planning system and how this will mitigate the risks of building on flood plains and other flood risk areas including those at risk from surface water flooding. This should consider approaches to ensure developers guarantee property can be insured and contributes to flood mitigation measures.***

8.5 The government agrees with the Committee's recommendation.

#### **Recommendation implemented**

8.6 In 2020, the government announced that it would review policy for building in areas at flood risk, to assess whether current protections in the NPPF are enough and to consider options for reform. The department is working closely with the Agency and the Ministry for Housing, Communities and Local Government (MHCLG) to undertake this review.

8.7 In January 2021, informed by the emerging findings, the government [\*published a consultation\*](#) which set out proposals to make changes to the NPPF, including to strengthen environmental protections and some aspects of planning policy concerning flood risk. For example, the proposed changes clarify that plans should manage any residual flood risk by using opportunities provided by new development and improvements in green and other infrastructure to reduce the causes and impacts of flooding.

8.8 The government will consider what further measures may be required in the longer term to strengthen planning policy and guidance for proposed development in areas at risk of flooding from all sources when the review concludes and will set out further detail later this year.

**8c: PAC recommendation: *The Department should work with MHCLG to:***

- ***ensure mandatory reporting on planning decisions approved in flood risk areas – particularly when the Agency disagrees.***

8.9 The government agrees with the Committee's recommendation.

**Target implementation date:** to be determined as part of the implementation of the planning reform agenda. MHCLG will write to inform the Committee of the date as soon as it has been determined.

8.10 The Planning for the Future White Paper sets out government's vision for greater digitalisation of the planning systems. As set out in the White Paper, data sets that underpin the planning system, including planning decisions, need to be standardised and made open and digitally accessible. The government has proposed that a digital template for planning notices will be created so that planning application information can be more effectively communicated and understood by local communities and used by new digital services. Government will set out further detail on how this will be implemented in due course.

8.11 In advance of this, and to support the government's commitment to consider ways to boost transparency, data collection and reporting, the Agency is planning to publish more detailed information where local planning authorities have granted planning permission against flood risk advice when the Agency records the final planning decision by the local planning authority. This will increase transparency and make it easier for the public to track which applications have been granted against advice and the reasons for the Agency's objection. The Agency will start to report on this by September 2021.

**8d: PAC recommendation: *The Department should work with MHCLG to:***

- ***ensure mandatory installation of Sustainable Drainage Systems (SuDS) in new builds***

8.12 The government disagrees with the Committee's recommendation.

8.13 The government's planning policy is clear that Sustainable Drainage Systems (SuDS) are to be provided in all major, new developments, unless there is clear evidence that this would be inappropriate, and that they should be given priority in new developments in flood risk areas.

8.14 In 2018, a [government review on the application and effectiveness of planning policy for SuDS](#) found that 87% of the sample of approved planning applications explicitly stated that SuDS would feature.

8.15 The suitability of SuDS in a planning application is for the local planning authority to determine, with advice from relevant stakeholders, for example, the lead local flood authority. There is also guidance in the NPPF, including promoting the use of multi-functional SuDS, future maintenance and multiple benefits.

8.16 The government is also completing a research project on the Non-Statutory Technical Standards for SuDS investigating whether there is a case for updating the standards to include standards on multi-functional benefits.

**8e: PAC recommendation: *The Department should work with MHCLG to:***

- ***consider changes to building regulations to include mandatory flood protection measures in new builds such as raised electrical sockets, fuse boxes and sealed floors.***

8.17 The government agrees with the Committee's recommendation.

**Target implementation date:** Autumn 2021

8.18 Building Regulations 2010 cover the construction and extension of buildings and are supported by Approved Documents. These set out detailed practical guidance on compliance with the regulations for developments. Although flood resilience is not currently a requirement of Building Regulations, Approved Document C includes recommendations for developers on construction techniques for buildings in flood prone areas and signposts them to a publication called 'Improving the Flood Resilience of New Buildings' which was published by Defra and MHCLG in 2007. In 2015, the scope of this publication was updated and expanded to include retrofit and was formalised as British Standard 85500:2015. Approved Document M: Access to and Use of Buildings; recommends in new dwellings that switches and socket-outlets for lighting and other equipment should be set between 450mm and 1200mm from finished floor level.

8.19 The government has committed to review the current approach to flood resilient design to consider how to ensure quality, safe housing for all, as part of the wider commitment to support the development of high-quality buildings. On 1 February 2021, the government published a Call for Evidence. Part 2 of the Call for Evidence sought evidence about the key PFR enablers to help inform policy development and the action required to drive the uptake of PFR. It looked into a range of enablers, including building regulations. The government will now be reviewing the responses and will provide a government response in due course.

# Forty-Sixth Report of Session 2019-21

## Department for Business, Energy & Industrial Strategy

### Achieving Net Zero

#### Introduction from the Committee

In June 2019, government committed in law to achieving ‘net zero’ greenhouse gas emissions by 2050, requiring the UK’s emissions in 2050 to be equal to or less than what is removed from the atmosphere by either the natural environment or carbon capture technologies. This target aims to deliver on the commitments it had made by signing the Paris Agreement in 2016. Net zero is an increase in ambition from the government’s previous target, set in 2008, to reduce net emissions by 80% by 2050 compared with 1990 levels. Reducing emissions further to achieve net zero is a colossal challenge, requiring wide-ranging changes to the UK economy and to the way we all live our lives. This includes further investment in renewable electricity generation, as well as changing the way people travel, how land is used and how buildings are heated. The all-encompassing nature of achieving net zero means that organisations across central and local government, as well as the public, all have a role to play. The Department for Business, Energy and Industrial Strategy (the Department) has overall responsibility for achieving net zero. It also has lead responsibility for decarbonising many of the highest-emitting sectors of the economy, such as power and industry. The Department must work with the Devolved Administrations and other departments, such as the Ministry of Housing, Communities and Local Government, Department for Environment, Food & Rural Affairs and the Department for Transport, which each hold responsibility for decarbonisation in their respective policy areas. Progress has not been uniform and whilst emissions from power have declined by 62% between 2008–2018, surface transport emissions have declined by only 3% over the same time period. HM Treasury has a key role to play given it allocates budgets to government departments and is central to assessing the relative priority of policies across government.

Based on a report by the National Audit Office, the Committee took evidence, on Thursday 28 January 2021 from the Department for Business, Energy and Industrial Strategy (the Department) and HM Treasury. The Committee published its report on 5 March 2021. This is the government’s response to the Committee’s report.

#### Relevant reports

- NAO report: [Achieving Net Zero](#)– Session 2019-21 (HC 1035)
- PAC report: [Achieving Net Zero](#)– Session 2019-21 (HC 935)

#### Government responses to the Committee

**1: PAC conclusion: *Government has not set out how it plans to achieve net zero despite having set the target in 2019.***

**1: PAC recommendation: *The Department should ensure that the key sector strategies, and the overarching net zero strategy, are published by September 2021. These strategies should include a clear timeline of key net zero milestones and decision points, to give Parliament and the public an overview of government’s net zero plans, what it plans to achieve and when.***

1.1 The government agrees with the Committee’s recommendation.

**Target implementation date:** Autumn 2021

1.2 The government has made progress bringing forward key sector strategies such as the [Industrial decarbonisation strategy](#), with others to follow including on Transport and on Heat and Buildings. The Department for Business, Energy and Industrial Strategy (BEIS or the department) has also committed to publishing a comprehensive Net Zero Strategy ahead of this year’s (2021) COP26 summit which brings

together its plans for making the transition to a net zero economy. Work is underway on this strategy which will build on the sectoral plans. The department will aim for the Net Zero Strategy to set out as comprehensive plans as possible for the transition, acknowledging where uncertainty remains, or future decisions will need to be taken.

**2: PAC conclusion: *The Department is not yet reporting on the programmes across government that are crucial to the delivery of net zero in a way that enables Parliament or the public to scrutinise progress.***

**2: PAC recommendation: *The Department should develop a clear set of metrics that provide a system-wide view of progress towards net zero. These metrics, which should include reporting on progress of emissions levels compared to expectations within each sector, should be reported regularly from the end of 2021, in as close to real time as is feasible and produced in a user-friendly manner for the public.***

2.1 The government agrees with the Committee's recommendation.

**Target implementation date:** Winter 2021

2.2 The government already publishes the '[Energy and Emissions Projections](#)' every year, which is a world-leading approach to projecting the UK's annual emissions, by sector, according to United Nations Framework Convention on Climate Change guidelines. The department will continue to publish these annually.

2.3 The government's 10 Point Plan also sets out a range of ambition metrics by sector. The department is planning a comprehensive Net Zero Strategy, covering all sectors, to set out the pathway to net zero by 2050 – and this will set out in more detail the metrics the department will track towards net zero. The government will need to continue to review and refine sectoral plans and contributions to net zero as technologies, as well as government policies, evolve.

**3: PAC conclusion: *HM Treasury has not yet clarified how it will ensure net zero is given adequate weight in the assessment of government policies and projects.***

**3: PAC recommendation: *HM Treasury should, within two months, write to us outlining:***

- *how it will ensure its guidance, such as the Green Book, will lead to departments adequately considering and reporting the impact of policy decisions on net zero;*
- *how all fiscal stimulus packages and infrastructure proposals will be stress tested against net zero and what measures will be incorporated into the Green Book to ensure projects are only approved if they align with 2050 net-zero target; and*
- *how it will ensure the development of skills across Whitehall to assess the impact of decisions on net zero.*

3.1 The government agrees with the Committee's recommendation.

**Target implementation date:** May 2021

3.2 At Spending Review 2020, guidance required departments to include the greenhouse gas emissions of bids, and their impact on meeting carbon budgets and net zero. Guidance also sought qualitative commentary on the impact of delivery of the 25 Year Environment Plan. HM Treasury (HMT) is currently reviewing the learning from this exercise and these issues will remain at the forefront of HMT's priorities for this year. Information on the 2021 Spending Review will be published in due course.

3.3 HMT uses spending reviews to set departments' overall budgets. Departments then prioritise within these to make sure they have the skills and capacity to deliver their objectives, including net zero. HMT has

provided funding to reflect the challenges of delivering additional net zero programmes and assessing the impact of policy decisions – for example, Spending Review 2020 set out that BEIS’s core resource budget would grow by 3.3 per cent in real terms in 2021-22 relative to 2019-20.

**4: PAC conclusion: Government does not have a clear way of determining whether its actions to reduce emissions in the UK are transferring emissions to other countries.**

**4: PAC recommendation: The Department should review how policies aimed at reducing UK-based emissions take into account the risk that emissions are passed to other countries and explore how to make the level of emissions generated in the manufacture of imported goods more transparent.**

4.1 The government agrees with the Committee’s recommendation.

**Target implementation date:** Winter 2021

4.2 BEIS is jointly leading a cross-government work programme with HMT on the issue set out in this recommendation (often referred to as ‘carbon leakage’). This includes developing an analytical framework to consider the risk and potential impact of carbon leakage and assessing the range of mitigation measures available.

4.3 The recently published [Industrial Decarbonisation Strategy](#) sets out government’s current approach to mitigating carbon leakage and includes a commitment to establish a targeted approach to mitigating industry’s leakage risk throughout the journey to net zero as the UK’s emissions reduction policies become more ambitious. HMT will be publishing more analysis on risks and possible mitigation options in the upcoming Net Zero Review.

4.4 The department will also be reviewing ‘free allocation’ policy as part of a wider review into the [UK Emissions Trading Scheme](#) (UK ETS) now that it has been set up. This review will focus on how free allocations can be distributed more fairly or better targeted in line with a reduction to the overall cap. The department currently has a call for evidence open that is part of this review.

4.5 Regarding transparency, the Department for Environment, Food and Rural Affairs (Defra) publishes estimates of the emissions associated with final demand in the UK irrespective of where these arise globally ([UK-Carbon-footprint](#)). BEIS will continue to engage with Defra and researchers who provide these statistics to explore opportunities to provide more transparency.

4.6 The [Industrial Decarbonisation Strategy](#) commits to developing proposals to improve embodied emissions data transparency and for new product standards to support the development of the market for low carbon industrial products. A call for evidence will be launched on low carbon industrial products in 2021-22.

**5: PAC conclusion: Government has not adequately communicated to the general public the changes that individuals will need to make in the transition to net zero emissions.**

**5: PAC recommendation: The Department should, in the next 12 months, develop a public engagement strategy that sets out how communications will be coordinated.**

5.1 The government agrees with the Committee’s recommendation.

**Target implementation date:** Autumn 2021

5.2 Reaching net zero will not only require changes to our energy systems with new technologies and infrastructure, but also shifts in how we as individuals travel, what we buy and how we use energy. It will be vital to engage the public on the challenge of, and their role in, and views on meeting our net zero target by 2050.



5.3 In November 2020, the department launched its '[Together for our Planet](#)' campaign, marking the one year to COP26 milestone. This campaign aims to raise awareness and understanding of COP26 and the work the UK is doing to combat climate change, while creating opportunities for people across the UK to participate in taking action on climate change the run-up to COP26.

5.4 Looking ahead, the government as a whole is increasing public engagement on climate action and our plans for net zero will take account of the importance of public engagement. The department agrees with the recommendation that government should set out more detail on its approach to public engagement on net zero, including how it plans to co-ordinate communications. It is planned to do so as part of the forthcoming Net Zero Strategy.

**6: PAC conclusion: *The Department has not sufficiently engaged with local authorities on their role in the achievement of net zero across the UK.***

**6: PAC recommendation: *Government should respond with a coherent National Fiscal and Policy Framework. This should set out Government's national responsibilities. Local Authorities local and regional responsibilities and be clear how government proposes to work with local authorities to secure the funding, skills, resources and outcomes required to deliver Net Zero.***

6.1 The government agrees with the Committee's recommendation.

**Target implementation date:** Autumn 2021

6.2 The department agrees that there should be a clearer statement of the respective responsibilities at national, regional and local level, and of how it proposes to work with local authorities.

6.3 The department already works closely with local government and the role of local government is being taken into account in sector strategies and individual programmes, including, in some cases, with local government taking a direct role in delivery of national programmes. The department will build on this ongoing work to provide a more comprehensive statement in the Net Zero Strategy.

# Forty-Seventh Report of Session 2019-21

## Department of Health and Social Care

### COVID-19: Test, track and trace (Part 1)

#### Introduction from the Committee

Test and trace programmes are a core public health response in epidemics. The basic principles of test and trace are identifying infected individuals, or groups of individuals, through testing, and tracing their contacts as early as possible. Potentially infectious contacts are then encouraged or obliged to reduce interactions with other people (to self-isolate), thereby reducing the spread of disease. On 28 May 2020, the government launched the new NHS Test and Trace Service (NHST&T), to lead the national test and trace programme, working in conjunction with Public Health England (PHE) and English local authorities. The 'isolate' part of the COVID-19 strategy is not part of the scope of the Test and Trace programme, but is key to successfully controlling the disease.

NHST&T is part of the Department of Health & Social Care (the Department), which has overall responsibility for testing and tracing. Throughout the pandemic, the Secretary of State for Health has had ministerial accountability for the test and trace programme. Up to December 2020, NHST&T had an unusual accountability relationship with the Department: it was subject to the Department's financial, information and staffing controls, but its head, the executive chair, reported directly to the Prime Minister and the Cabinet Secretary. The Department told us this relationship changed on 3 December 2020, with the executive chair now reporting to the Secretary of State for Health. PHE is England's expert public health agency, with responsibilities for public health advice, analysis and support, and for responding to public health emergencies. Local authorities employ directors of public health who have a statutory duty to control local COVID-19 outbreaks.

Based on a report by the National Audit Office, the Committee took evidence, on Monday 18 January 2021 from the Department of Health & Social Care. The Committee published its report on 10 March 2021. This is the Government's response to the Committee's report.

#### Relevant reports

- NAO report: [The government's approach to test and trace in England – interim report](#) – Session 2019-21 (HC 1070)
- PAC report: [COVID-19: Test, track and trace \(part 1\)](#) – Session 2019-21 (HC 932)

#### Government response to the Committee

**1: PAC conclusion: NHST&T publishes a lot of performance data but these do not demonstrate how effective test and trace is at reducing transmission of COVID-19.**

**1: PAC recommendation: NHST&T should improve the data it publishes so people get a better sense of its effectiveness. In future, its weekly statistics should include the total time taken to reach contacts after an initial person develops symptoms (the "cough to contact" metric), how many actual days NHST&T asks people to self-isolate for, as well as the latest indicators of people's compliance with self-isolation. NHST&T should also publish periodic evaluations of its impact on infection levels.**

1.1 The government agrees with the Committee's recommendation.

**Target implementation date:** June 2021

1.2 NHS Test and Trace (NHST&T) is committed to transparency and to publishing data that is properly validated, meets the highest standards, and provides a meaningful gauge of its effectiveness. NHST&T publishes data across a wide range of business areas.

1.3 The total time taken to reach contacts after the ‘index case’ (the person who has tested positive) first reports symptoms and orders a test is a critical indicator. The government has begun publishing this in the weekly statistics for NHST&T (link below). The number of days for which people are asked to self-isolate depends on the time taken for the index case to report symptoms and book a test, the turnaround time for testing, and the time taken to identify and reach contacts. By June 2021, the Department of Health and Social Care (the department) will explore the quality of the data on this with a view to regular publication if acceptable. The Office for National Statistics (ONS) has been commissioned to gather information on compliance with self-isolation, but on a monthly basis, rather than weekly, because levels of compliance are unlikely to be volatile enough to need weekly tracking. ONS has begun publishing compliance data for [those who have tested positive](#), and those who have [been in contact with a positive case](#).

1.4 The time taken to reach contacts after the index case reporting symptoms is in the “data tables” document which can be [accessed here](#) (selecting the relevant week).

1.5 The department continues to evaluate the impact of the NHST&T service on infection levels. In February it published the [Rùm Model Technical Annex](#) which estimated the effect of testing, tracing and self-isolation on the R number. The department is developing plans to publish estimates periodically in future, in line with the Committee’s recommendation.

1.6 Alongside this, the department is conducting a review of the impact of asymptomatic testing, including the public health and economic benefits, looking both at progress thus far and forecasts in the coming months as prevalence reduces. The department’s aim is to understand how it can deploy and organise testing in ways that find the greatest number of cases and has the biggest impact on breaking the chains of transmission. This review will include understanding of the behavioural responses to asymptomatic testing and how to address any real or perceived barriers to testing.

**2: PAC conclusion: NHST&T still struggles to consistently match supply and demand for its test and trace services, resulting in either sub-standard performance or surplus capacity.**

**2: PAC recommendation: For all aspects of its testing and tracing operations, NHST&T should identify opportunities to make better use of the capacity it has paid to create. Where it retains surplus capacity, this should be for a clear and explicit purpose. It needs to strike a better balance between meeting surges in demand, maintaining timely services, having eligibility criteria that allow it to identify as many people with the virus as possible, and not paying unnecessarily for surplus capacity.**

2.1 The government agrees with the Committee’s recommendation.

### Recommendation implemented

2.2 Over the past year, the UK government has built the largest network of diagnostic testing facilities in British history. NHST&T now has the capacity to carry out more than 600,000 PCR tests per day, compared to 2,000 in April 2020 (statistics are updated daily on the government’s [data dashboard](#)).

2.3 The COVID-19 pandemic presents a uniquely unpredictable challenge. NHST&T needs to have sufficient surge capacity to be able to respond swiftly and accurately to increases in demand. But striking a better balance between retaining this essential resilience and demands on public funding is a priority for the service.

2.4 Testing sites are now being used to support both symptomatic and asymptomatic testing, improving utilisation while allowing focus to change quickly (in day) when needed. The service’s laboratory structure has been revised to consolidate processing capacity, automation has increased, and NHST&T has built more flexibility into commercial contracts with laboratories, improving value for money while still allowing capacity for surge. Through these measures the aim is to run at 80% capacity – the highest possible without threatening turnaround times - while being able to respond to surges. For contact tracing, NHST&T has improved forecasting capability and operational response times to judge better what contact tracing resource is needed, and negotiated flexible contracts with commercial providers to allow numbers to be scaled up and down while retaining a pool of surge capacity to support local public health colleagues with sudden outbreaks.

2.5 NHST&T continues to explore ways to use assets more efficiently and is working with the National Audit Office (NAO) on a future report which will provide more detail on plans for the service.

**3: PAC conclusion: *Although it had to act quickly to scale up the service, NHST&T is still overly reliant on expensive contractors and temporary staff.***

**3: PAC recommendation: *NHST&T should put in place a clear workforce plan and recruitment strategy which aim to reduce significantly, month by month, its reliance on costly consultants and temporary staff. NHST&T would benefit from learning lessons on how other NHS bodies manage the need for additional personnel, for example, through staff banks and should explore incorporating these into its approach.***

3.1 The government agrees with the Committee's recommendation.

### Recommendation implemented

3.2 Consultants offer quick access to expertise that may otherwise be difficult to recruit – either quickly or indeed at all. They will always have a place but need to be used selectively. NHST&T has therefore established a consultancy ramp-down plan, based on current demand assumptions, which aims to reduce the number of consultants by over 40% between March 2021 and December 2021.

3.3 NHST&T continues to reduce consultancy headcount through the following mechanisms:

- capability mapping and staff development;
- increasing recruitment – NHST&T has launched a careers microsite and as of March 2021 had over 154 campaigns live;
- replacing consultancy resources with cheaper contract resources while long-term recruitment continues;
- a Commercial Challenge Board to provide increased scrutiny when consultancy resource is requested and ensure there is clear evidence that there is no alternative and that rates are appropriate to the work being delivered;
- regular challenge sessions with each business area; and
- including short term termination clauses in contracts to ensure maximum flexibility and to support the roll-off of consultants.

3.4 NHST&T is currently working across government and with Public Health England (PHE) to understand the most effective ways to attract and secure clinical capability. It is also reaching out to NHS networks to understand better and learn from their supply routes and where NHST&T can improve.

**4: PAC conclusion: *The introduction of rapid-results testing was supposed to be a 'gamechanger' but confusion persists over why and how it should be used in different community settings.***

**4: PAC recommendation: *The Department and NHST&T should set out clearly how and why mass rapid testing should be used in each of the settings where roll-out is planned, alongside clear targets and updates on progress in the various sectors. Any plans should take account of the approved purpose and accuracy of rapid tests, and how to manage the risks associated with false assurances the tests may provide. If LFD testing is not suitable in some circumstances, NHST&T should urgently bring forward other plans for identifying more asymptomatic carriers of COVID-19.***

4.1 The government agrees with the Committee's recommendation.

**Target implementation date:** June 2021

4.2 Regular rapid tests are a vital tool in helping to identify cases of coronavirus that would otherwise not be found. Around one in three cases show no symptoms, and testing with rapid lateral flow devices

(LFDs) helps find these cases and prevent the spread of infection. Regular rapid testing was initially focused on asymptomatic NHS and care home staff to support the resilience of health and care services and protect vulnerable people. It was then extended on a targeted basis to settings such as schools, universities and workplaces, and from April 2021 targeted eligibility has been replaced with a universal testing offer available to all. This includes a new pharmacy collect option alongside expanded home delivery.

4.3 Alongside the department's universal testing offer, it is in the process of reviewing its plan on asymptomatic testing and intend to publish this information, with updates on progress in each setting, and with agreed targets focused on impact and outcomes.

4.4 All plans take account of the performance of available tests. Extensive and ongoing clinical evaluation, and MHRA approval, support the use of lateral flow devices and PCR (polymerase chain reaction) tests for asymptomatic people. With some limited exceptions, we have not identified circumstances where LFD testing is not suitable, but its use complements existing regular PCR testing which has higher sensitivity but longer processing times. There are some circumstances where individuals may have physical difficulty in taking LFD and PCR tests and we are rapidly exploring alternative solutions for these groups. LFD testing forms part of a wider strategy to identify asymptomatic carriers, which includes contact tracing (including 'backward' contact tracing) and wastewater analysis.

**5: PAC conclusion: NHST&T claims to be a learning organisation, but since last May many important stakeholders have at times felt ignored by it.**

**5: PAC recommendation: NHST&T should review how it engages with and draws expertise from the wider public health establishment and other sectors that are especially dependent on its work. This should include, but is not limited to, local government, the schools sector and the hospitality industry.**

5.1 The government agrees with the Committee's recommendation.

### **Recommendation implemented**

5.2 The department agree with the committee that NHST&T cannot support citizens and businesses unaided. It is only by working across local and national partners in government, and in critical sectors, that we will break the chains of transmission.

5.3 Since the NAO's report in December 2020 on the [Government's approach to test and trace in England](#) was produced, NHST&T has significantly extended engagement with partners, especially local authorities. Local communities are at the heart of breaking the chains of transmission. It is vital to have a continued strong local, regional and national partnership to support people to understand and comply with the guidance and regulations designed to protect their health. The department has worked with local and regional partners to update the [Contain Framework](#) which sets out the roles and responsibilities of each partner, the requirements of local authorities and the support they can expect from regional and national teams. Regional teams are now meeting with local authorities daily on risks/issues, support needs and good practice. The Community Testing Programme supports local authorities in making testing accessible to people in local communities, particularly in disproportionately affected groups.

5.4 NHST&T is engaging with all sectors that need testing to reopen, but this relationship is mediated through the relevant government departments which have more knowledge and expertise in the needs of these sectors. For example, the Department for Education leads on schools and the Department for Business, Energy and Industrial Strategy and Department for Digital, Culture, Media and Sport are leading on hospitality, supported by NHST&T. It ensures that all interested departments are engaged in any testing initiatives.

**6: PAC conclusion: As we hope for longer-term and sustained reductions in infection levels, the Department needs to think about the future shape of national test and trace services, and how it will secure lasting benefits from its spending.**

**6: PAC recommendation: *Within the next six to nine months, the Department should outline publicly its future strategy for testing and tracing services in England, including:***

- *its timetable for transitioning to the new National Institute for Health Protection;*
- *its exit strategy when infection levels reduce, including downscaling, mothballing and reallocating national and local capacity;*
- *how it will cost-effectively maintain a degree of readiness for future surges of COVID-19 and other influenza-like infections; and*
- *how it will work with the NHS, public health and local government bodies to secure continued benefit from the assets and infrastructure it has created.*

6.1 The government agrees with the Committee's recommendation.

**Target implementation date:** November 2021

6.2 Since its creation in May 2020, NHST&T has set out in periodically updated business plans its strategy for testing and tracing services to respond to the changing stages of the COVID-19 pandemic.

6.3 The business plans published in July 2020 and December 2020 can be found at these links:

- [\*Developing NHS Test and Trace: business plan, DHSC, July 2020\*](#)
- [\*NHS Test and Trace business plan, DHSC, December 2020\*](#)

6.4 In February 2021, the government published its [\*roadmap out of lockdown\*](#). This included a strategy for the Test, Trace and Isolate system to help support the easing of social and economic restrictions and keep people safe. NHST&T works in partnership with Public Health England (PHE), the NHS, local authorities, businesses, schools, universities and others to deliver these services.

6.5 In August 2020, the Secretary of State for Health and Social Care announced plans to establish a new national organisation for health protection – now named the UK Health Security Agency – and a series of reforms to strengthen the wider public health landscape. Since then, NHST&T, including the Joint Biosecurity Centre (JBC), and Public Health England have been working together under new leadership arrangements and moving towards a shared operating model on both the COVID-19 response and designing the new organisation with the Department of Health and Social Care.

6.6 The UK Health Security Agency is being formally established in spring 2021 under its new Chair and Chief Executive, and staff and systems will transfer into the new organisation over the following months. PHE and NHST&T have jointly developed plans to support the government's roadmap out of lockdown between April and June 2021. Longer term plans are being considered and will be finalised with the new Chair and Chief Executive before publication.

# Forty-Eighth Report of Session 2019-21

## Home Office - Border Force

### Digital Services at the Border

#### Introduction from the Committee

The Home Office (the Department) is responsible for protecting the border at over 270 crossing points and 56 major entry points. Border Force, a law enforcement command within the Department, has the lead operational responsibility for securing the United Kingdom border by carrying out immigration and customs controls on people and goods entering the UK. Upgrading or replacing legacy systems and improving information at the border through digital transformation programmes has been an ambition of the Department since the launch of its e-borders programme in 2003. In 2014, the Department started its Digital Services at the Border programme (the programme) with a budget of £199 million, as a new attempt to achieve its objectives by March 2019 through replacing the legacy systems Warnings Index and Semaphore. In 2019 the Department 'reset' the programme due to changed priorities to support its broader ambition for a digitised immigration system and to provide the border controls required following the UK's decision to leave the EU, as well as scope creep and poor programme performance. The reset refocused the programme on rolling out Border Crossing and improving rather than replacing the Semaphore system as well as removing goods from the programme scope. This decision extended the programme's delivery timescales by three years and increased costs by £173 million. The Department now expects to deliver the programme by the end of March 2022.

Based on a report by the National Audit Office, the Committee took evidence, on Monday 1 February 2021 from the Home Office. The Committee published its report on 12 March 2021. This is the government's response to the Committee's report.

#### Relevant reports

- NAO report: [C&AG's Report, Digital Services at the Border](#) – Session 2019-21 (HC 1069)
- PAC report: [Digital services at the Border](#) – Session 2019-21 (HC 936)

#### Government response to the Committee

**1: PAC conclusion: *The Department continues to struggle with delivery of technology programmes at staggering cost to the taxpayer.***

**1: PAC recommendation: *The Permanent Secretary should review the major technology programmes within the Department's portfolio and write to the Committee within three months with his updated assessment of each programme's progress and of what impact he expects each programme to have.***

1.1 The government agrees with the Committee's recommendation.

**Target implementation:** June 2021

1.2 There is a significant and robust assurance regime in place covering the department's major technology programmes, for which the Permanent Secretary receives regular updates.

1.3 As part of the Home Office's (the department) Project Delivery Improvement agenda, Ministers (supported by senior officials and non-executive directors) led a comprehensive review of the Home Office's Portfolio of Major Programmes during the summer of 2020. This review included specific focus on technology programmes. This comprehensive review involved detailed, Minister-led challenge panels that spanned all major technology programmes. The review was an incredibly thorough exercise of data gathering and deep dives. Since this review has concluded, Ministers, senior officials and the executive committee have continued to monitor progress and receive regular updates on the health of the portfolio and any associated prioritisation decisions that may be required.

1.4 The Infrastructure and Projects Authority (IPA) carry out independent assurance reviews that include the major technology programmes, providing assurance for the department's most complex and high-risk projects. There is a very significant regime of assurance in place at programme and portfolio level including independent assurance activity and challenge from non-executives who support the Permanent Secretary. Furthermore, the Permanent Secretary has personally undertaken specific deep dives where issues are escalated, for example, [Emergency Services Mobile Communications Programme](#) (ESMCP) and National Law Enforcement Data Programme (NLEDP).

1.5 The Permanent Secretary will write to the Committee within three months providing an assessment of each programme's progress and anticipated benefits.

**2: PAC conclusion: *The Department has failed to identify, acknowledge and be transparent about problems within the Digital Services at the Border programme.***

**2: PAC recommendation: *The Department should report back to the Committee on:***

- *its mechanisms for oversight and assurance of delivery and how it knows whether they are working;*
- *any costs incurred from deviating from the Department's delivery plans.*

2.1 The government agrees with the Committee's recommendation.

#### **Recommendation implemented:**

2.2 The programme was independently reviewed and reset in 2019 including rescoping and re-planning. The business case was revised and was then approved by the Home Office Portfolio Investment Committee and HM Treasury in July 2020. Since reset, the programme has delivered all key milestones on time and has spent in line with budget forecasts.

2.3 The programme has robust assurance oversight processes including independent reviews and checks by, including: the IPA (most recent review in June 2020 and next review planned for July 2021), the Government Internal Audit Agency (GIAA) and quarterly reporting to the Government Major Projects Portfolio (GMPP). The programme was also included in the Ministerial challenge work through 2020. The department will report back to the Committee to provide the outcome of the July 2021 IPA report.

2.4 There are monthly programme boards chaired by the Senior Responsible Owner (SRO) where delivery plans, risks and dependencies are managed, and this ensures appropriate decisions, escalation routes and solutions are provided to ensure delivery to plans is maintained.

2.5 A dedicated programme assurance lead was appointed in November 2020 to coordinate assurance activity and ensure that all recommendations are tracked and reported against. The programme also has representatives of IPA, GIAA and Home Office wide independent internal assurance embedded in the programme as board members.

2.6 Programme finances are reviewed by the programme board, and since the programme rescope and revised business case spend has tracked to profile and is forecast to be within budget tolerances at the 2020-21 financial year end. Since 2019, there has been no deviation from major delivery milestones and no additional costs incurred.

**3: PAC conclusion: *The Department's failure to deliver the Digital Services at the Border programme by March 2019 was caused by a lack of effective leadership, management and oversight.***

**3: PAC recommendation: *The Department should set out specifically what it is doing differently in its approach to the DSAB programme to ensure that it is delivered on time to its revised end March 2022 timetable.***

3.1 The government agrees with the Committee's recommendation.



### Recommendation implemented

3.2 The reset in 2019 provided valuable lessons learned which the department has implemented, including:

- the SRO having responsibility for one major programme and being able to flex their time commitment at varying points of the programme lifecycle, to ensure alignment and commitment to delivery of similar changes across the department;
- new governance including comprehensive risk and governance processes, and mechanisms for managing change and scope requests and scope change are all embedded within the programme;
- setting a manageable scope for the Digital Services at the Border (DSAB) programme and not trying to do too much;
- the appointment of separate Programme and Technical Delivery directors to reinforce the senior leadership team;
- establishing and using frameworks so technical resources can be quickly secured and deployed to support the phases of the programme;
- building upon learning from the Border Crossing pilot into the current national rollout;
- strengthening stakeholder representation at the programme board and in response to GIAA recommendations, the department has improved stakeholder engagement and tracking; and
- increased allocated time for presentation of technical challenges at the programme board.

3.3 The technical differences in the department's approach are:

- the programme is delivering incrementally with short feedback loops;
- key design decisions are flowing through the Home Office wide Technical Design Authority (TDA);
- the department has taken an industry standard product-based approach;
- teams work more collaboratively to deliver the roadmap;
- estimating is data driven, using metrics from teams to improve forecasting accuracy. The people doing the work provide the estimates; and
- there is a much stronger grip on dependencies and sequencing to enable the department to achieve its key goals.

**4: PAC conclusion: *The Department has struggled to deliver the core technical components of the Digital Services at the Border programme.***

**4a: PAC recommendation: *The Department should set out what it has done to resolve the problems it has had with the technical components of the programme and.....***

4.1 The government agrees with the Committee's recommendation.

### Recommendation implemented

4.2 The department has implemented agile working methodologies and has access to a specialist technical resource framework to acquire the right people for the right piece of work. The department has also ensured that:

- the Border Crossing product has been migrated to a new more robust platform and refactored scalability to provide High availability;
- the "secret data" (S\*) side of the solution has been refactored and then re-imagined to overcome the technical issues of the first iteration;
- logging and monitoring is deployed as standard on every service, to provide effective feedback;
- Site Reliability Engineering is part of the engineering ethos which has been applied to provide consistent patterns and designs to support a highly available and resilient service;
- all requirements are defined, tracked and monitored; and
- performance testing is a key part of every release cycle.

**4b: PAC recommendation: ..... what the department will do if these components are not working as intended to the timescales it has planned.**

4.3 The government agrees with the Committee's recommendation.

#### **Recommendation implemented**

4.4 The programme has instituted a risk management approach which the GIAA, IPA and National Audit Office (NAO) recognise.

4.5 Acting on the NAO recommendation, the programme team led a Red Team risk analysis in January 2021 to review the risks of failed or late delivery and has updated the contingencies and mitigations. These included:

- adding time contingency to the watch-listing and search plans, whilst maintaining the milestone to move away from legacy systems;
- undertaking a risk survey to sensor check risk handling within the programme; and
- implementing a revised risk strategy to provide resilience until programme closure.

4.6 The SRO, as having an aligned understanding of the similar changes across the department, and with input from both the Technical and Programme Delivery directors can assess and reassign, if necessary, resources to mitigate any impacts on the planned timescale.

**5: PAC conclusion: We see a clear risk that the Department will not be able to deliver the programme by the end of March 2022.**

**5: PAC recommendation: The Department should set out and explain its exact milestones up to overall programme delivery by the end of March 2022 for the main elements of the Digital Services at the Border programme, including Border Crossing, Semaphore, connecting to e-gates and holding secret level data.**

5.1 The government agrees with the Committee's recommendation.

#### **Recommendation implemented**

5.2 The detailed programme delivery plan has been further amplified with exact milestones baselined at the DSAB programme board, running through to the end of the programme in March 2022. All the main elements of delivery within the DSAB programme: Border Crossing, Semaphore, eGate connectivity and administration of secret level data are inclusive of the agreed plan. All related or dependent programmes have agreed and signed off on them.

**6: PAC conclusion: The Department's ambitions for the border and its delivery of practical improvements for users depend upon it coordinating the implementation of the Digital Services at the Border programme with the delivery of several related projects.**

**6a: PAC recommendation: The Department should set out progress against planned milestones for related programmes, any impacts on frontline Border Force staff, people using border services and what it is doing to mitigate these impacts**

6.1 The government agrees with the Committee's recommendation.

#### **Recommendation implemented**

6.2 Progress against planned milestones is set against a managed set of dependencies which have been captured and are tracked and reviewed within the programme and wider portfolio. As part of this

process, any impacts would be mitigated and would form part of feedback process via the business change team to the frontline and back, ensuring all changes are embedded effectively and efficiently for go-live of the system.

6.3 Border Force staff will experience no degradation of frontline capability, and it will add more functionality and improve the operability beyond what was originally envisaged. Passengers using border services will receive an improved journey experience through the UK primary check points, but there will be no physical change.

6.4 The department provides updates to the Border Immigration and Citizenship Systems (BICS) Transformation board as to progress against milestones to align with related programmes.

6.5 Digitising the Border (DtB) (permission to travel systems) within the Future Borders and Immigration System (FBIS), Cerberus (watchlisting and intelligence) and eGates (connection with Border Crossing), all related programmes all attend the department's programme board, have access to published plans and can confidently and openly challenge progress of milestones against delivery plans and track resolution activity. None have reported delays or detrimental impacts to their milestones in relation to delivery activity, and all are progressing against their own milestones.

# Forty-Ninth Report of Session 2019-21

## Ministry of Housing, Communities and Local Government

### COVID-19: housing people sleeping rough

#### Introduction from the Committee

On 26 March 2020 the Ministry of Housing, Communities & Local Government (the department) launched its Everyone In initiative. Everyone In required local authorities to take urgent action to house people sleeping rough and those at risk of rough sleeping in order to protect them and stop wider transmission of COVID-19. This was in recognition both of the greater vulnerability of this population, given the prevalence of underlying health conditions, and the practical barriers to self-isolating within communal shelters. By mid-April, 90% of the then estimated population of people sleeping rough had been made an offer of emergency accommodation, often staying in hotels that had been block-booked by local authorities. In the first wave of the pandemic, the deaths of only a relatively small number of people sleeping rough, and those who had been rough sleeping, were linked with COVID-19 (16 people as of 26 June 2020). By the end of January 2021, there were 11,263 people staying in hotels and other emergency accommodation, and a further 26,167 people who had been helped to find more settled accommodation.

Based on a report by the National Audit Office, the Committee took evidence, on 25 January 2021 from the Ministry of Housing, Communities and Local Government (MHCLG). The Committee published its report on 17 March 2021. This is the government response to the Committee's report.

#### Relevant reports

- NAO report: [Investigation into the housing of rough sleepers during the COVID-19 pandemic](#) – Session 2019-21 (HC 1075)
- PAC report: [COVID-19: housing people sleeping rough](#) – Session 2019-21 (HC 934)

#### Government responses to the Committee

**1: PAC conclusion: *The Everyone In initiative succeeded in its objective of protecting public health in the first wave of the pandemic, averting more than 20,000 infections.***

**1: PAC recommendation: *The Department should, in seeking to learn lessons from what made Everyone In a success in the first wave of the pandemic, assess what additional staff capacity it needs to be able to sustain its response and its support for local partners, as the pandemic continues.***

1.1 The government agrees with the Committee's recommendation.

**Target implementation date:** May 2021

1.2 In March 2020, the Ministry for Housing, Communities and Local Government (the department) rapidly pivoted resources to respond to the first wave of the COVID-19 pandemic, including moving staff capacity to support *Everyone In*. As well as civil servants, the department also has a team of expert advisers who work directly with local authorities and their partners on their homelessness and rough sleeping work. The department regularly reviews staffing capacity in line with ministerial priorities and to ensure that the right people and skills are in the right parts of the organisation to make the biggest possible difference to communities and local partners. This includes ending rough sleeping and reducing homelessness.

**2: PAC conclusion: *The Department still does not have a plan for achieving its target of ending rough sleeping by 2024, and risks failing to capitalise on the successes of Everyone In.***

**2: PAC recommendation: *The Department must, before summer recess, publish at least a draft strategy for how it will achieve its goal of ending rough sleeping by 2024. This should set out its definition of 'ending' rough sleeping, how it will measure and report progress in achieving and maintaining this goal, and the capacity of supported and affordable housing required to reduce the flow of people onto the streets towards zero for the long term.***

2.1 The government disagrees with the Committee's recommendation.

2.2 The government disagrees with the Committee's recommendation, although it will be important to ensure sufficient time for the development of the new strategy and to align with the forthcoming 2021 Spending Review.

2.3 The government is fully committed to ending rough sleeping within this Parliament and has already made considerable progress in the last few years to reduce rough sleeping. Much of this work provided the capacity to deliver the *Everyone In* response both locally and nationally. The [department's annual statistics](#) published on the 25 February 2021 show the number of people sleeping rough fell for the third year in a row, the largest decrease since these were first recorded in 2010 and a 43% decrease since 2017.

2.4 Nonetheless, the department is clear that to end rough sleeping there is a need for further cross government action to address the underlying causes of rough sleeping. The department will be working with partners across government and the sector to build on recent progress and consider what more needs to be done to end rough sleeping. The department will consider the role of health, policing, prisons, immigration, welfare, and employment, alongside housing and how the department will build on the already significant success of *Everyone In*.

2.5 As the Committee suggests, the department will consider a definition of what it means to end rough sleeping, including information about how this goal will be measured and evaluated.

**3: PAC conclusion: *The size of the rough sleeping population and those at risk of rough sleeping is far higher than the snapshot the Department is relying on, exposing the inadequacy of its current approach to data collection and reporting.***

**3: PAC recommendation: *To support proper accountability, the Department must ensure it continues to publish its monthly data on numbers of people sleeping rough. Drawing on this information, it should report back to this Committee on a quarterly basis on its performance against its target for ending rough sleeping.***

3.1 The government disagrees with the Committee's recommendation.

3.2 The department has so far published [five snapshots of the data](#) (as at May, September, November, December 2020 and January 2021).

3.3 This is a relatively new data source which must continue to be carefully considered and analysed. The department's focus remains on the response to the COVID-19 pandemic and ensuring that our data is used to help inform policy decisions.

3.4 The department will update the Committee on its progress towards ending rough sleeping regularly.

**4: PAC conclusion: *The Department has provided a number of different funding streams to local authorities to cover the pandemic response for people sleeping rough, but many are short-term and reactive, and the Department does not have a cohesive longterm funding plan for its commitment to end rough sleeping.***

**4: PAC recommendation: *To inform the review of its strategy, the Department should reassess the level of funding required to meet its target of ending rough sleeping and align all individual streams of funding for tackling rough sleeping to this end. This should address the importance of multi-year funding certainty for local authorities and the voluntary sector. In doing so, it should state how it will assess the long-term value for money of its spending on rough sleeping and homelessness, focusing on interventions which do most to reduce the long-term public costs associated with both rough sleeping and housing people in temporary accommodation.***

4.1 The government agrees with the Committee's recommendation.

**Target implementation date:** Winter 2021

4.2 This year alone the department have committed over £750 million to tackle homelessness and rough sleeping. In responding to the COVID-19 pandemic, the department has sought to make sure that local authorities have the resources they require to support rough sleepers as the pandemic has evolved. That has meant that there have been more short-term funding streams in 2020/21 than usual. However, the department recognises the value of streamlining funding streams where possible to improve efficiency and minimise burdens on local authorities and voluntary sector partners. The department has, for example, combined the Flexible Homelessness Support Grant and the Homelessness Reduction Grant into one funding stream in 2022 to help local authorities manage local homelessness pressures: The Homelessness Prevention Grant. Funding for the Rough Sleeping Initiative in 2021 includes funding to support rough sleepers from the pandemic and throughout the winter, consolidating several funding streams.

4.3 The department will work across government to consider the support that is required to end rough sleeping, including financial and non-financial aspects. Decisions on future funding will be a matter for the 2021 Spending Review, and this will consider the long-term value for money of the departments spending.

4.4 The department's evaluation programme continues to assess the impacts of homelessness and rough sleeping policy, building on the high-quality evaluations that have been delivered over the last few years, such as the Rough Sleeping Initiative (RSI) impact evaluation. The Rough Sleeping Questionnaire has allowed for a more robust approach to considering how these impacts relate to social outcomes, by giving an insight into the service use and individual and social harms associated with sleeping rough. Over the medium term, the use of linked administrative data will give new insight into how people sleeping rough interact with public services. The department is committed to using these tools and insights to improve the department's assessments of value for money in the appraisal and evaluation of its policies.

**5: PAC conclusion: *The Department has provided mixed messages to local authorities on how to support people sleeping rough who have no recourse to public funds and has no long-term plan for those who have been taken into hotels.***

**5a: PAC recommendation: *Within two months the Department should a) publish details of its agreed plans with the Home Office to address rough sleeping and immigration issues together.***

5.1 The government disagrees with the Committee's recommendation.

5.2 The government is fully committed to ending rough sleeping. The department will be working with partners across government to build on recent progress and consider what more needs to be done to end rough sleeping, which will consider the role of immigration policy and practice.

5.3 This will build on work, such as the Rough Sleeping Support Service, which has been established by the Home Office to help destitute individuals access support and resolve their immigration status.

5.4 In the meantime, the department continues to work with the Home Office on all other immigration issues affecting rough sleepers.

**5b: PAC recommendation: *Within two months the Department should b) provide clear guidance to local authorities on what this means for the support they offer this cohort, including those staying in hotels under Everyone In.***

5.5 The government disagrees with the Committee's recommendation.

5.6 The department has and continues to work with local authorities regarding support that can be offered to those individuals with a no recourse to public funds (NRPF) attached to their immigration status. Ultimately, these are locally elected councils and it is a matter for them to decide based on their local circumstances.

5.7 On [28 May 2020](#) and 8 January 2021, the department wrote to all chief executives of local authorities making clear that the rules as to eligibility relating to immigration status, including for those with NRPF, have not changed. The department's position remains that local authorities must continue to use their judgement in assessing what support they may lawfully give to each person on an individual basis, considering that person's specific circumstances and support needs. The department is clear that the responsibility for making individual judgements lies with local authorities, as it has done for many years.

5.8 This legal position is applicable to support offered to individuals with NRPF both within and outside of hotels under *Everyone In*.

**6: PAC conclusion: *It is uncertain whether the Department will meet its objective of providing 3,300 homes for people sleeping rough by the end of March 2021.***

**6: PAC recommendation: *The Department should write to us within two months on the progress it is making in securing 3,300 homes under its Rough Sleeper Accommodation Programme, and include details on how it will ensure the availability of the supported and affordable housing required for people to move into, once their stay in these homes comes to an end.***

6.1 The government agrees with the Committee's recommendation.

**Target implementation date:** May 2021

6.2 The Rough Sleeping Accommodation Programme represents the biggest ever government investment in move-on accommodation for rough sleepers. The department welcomes the opportunity to report progress on the delivery of 3,300 homes under the Rough Sleeping Accommodation Programme and will provide further details on the routes out of the provision into other forms of housing. The department will write directly to the Committee within the specified time frame in the recommendation.

# Fiftieth Report of Session 2019-21

## Ministry of Defence

### Defence Equipment Plan 2020 – 2030

#### Introduction from the Committee

The Department's 2020–2030 Equipment Plan (the Plan) sets out its spending plans for the next 10 years on projects to equip the Armed Forces. It shows that the Department has allocated a budget of £190 billion to equipment and support projects, 41% of its entire forecast budget. The Plan assesses whether its equipment and support projects are affordable. The Department needs to manage this expenditure effectively to ensure the Armed Forces can secure and maintain all the equipment that they need. The Department must also retain a level of flexibility to develop new high-priority capabilities and replace some existing capabilities as they go out of service.

The Department first published its Equipment Plan in 2013. Under the Department's delegated model, managing projects is the responsibility of the Front-Line Commands (Navy, Army, Air and Strategic Command), the Defence Nuclear Organisation and the Strategic Programmes Directorate. These organisations are known as Top-Level Budgets (TLBs) and are required to deliver their agreed defence outcomes within delegated budgets. The Department's Head Office aggregates the information provided by the TLBs to establish the departmental position on the affordability of the Equipment Plan.

Based on a report by the National Audit Office, the Committee took evidence, on 4 February 2021 from the Ministry of Defence. The Committee published its report on 16 March 2021. This is the Government response to the Committee's report.

#### Relevant reports

- NAO report: [The Equipment Plan 2020 to 2030](#) Session 2019-2021 (HC 1037)
- PAC report: [Defence Equipment Plan 2020 - 2030](#) (HC 693) Session 2019 -21 (HC 693)
- [Global Britain in a Competitive Age: the Integrated Review, Security, Defence, Development and Foreign Policy](#) – 16 March 2021
- [Defence in a Competitive Age](#) – 22 March 2021
- [Defence and Security Industrial Strategy](#) – 23 March 2021

#### Government response to the Committee

**1: PAC conclusion: *It is very disappointing that the Department's latest Equipment Plan is unaffordable for the fourth year in a row.***

**1: PAC recommendation: *In its next Equipment Plan report, the Department must demonstrate that its Plan is affordable and has the resilience to absorb financial pressures—like cost inflation—and respond to changing capability needs.***

1.1 The government agrees with the Committee's recommendation.

**Target implementation date:** Autumn 2021

1.2 On 19 November 2020, the Prime Minister announced an increase in defence spending which will mean £188 billion will be spent on defence over the following four years – an increase of £24 billion or 14%. This settlement was confirmed in the 2020 Spending Review and will allow the department to deliver the ambition of the Integrated Review and Defence Command Paper published in March 2021 (above).

1.3 This additional funding will allow the Ministry of Defence (the MOD or the department) to reset the balance between ambition and resources, but an affordable plan is not the result of additional funding alone. The department is taking difficult decisions to retire older capabilities and to bear down on operating costs



to create the headroom needed for modernisation and investment. In addition, the department is continuing to improve its financial management.

1.4 In the next Equipment Plan report (publication Autumn 2021), the implications of the 2020 Spending Review settlement and the Integrated Review will be set out and the department will demonstrate how this has improved the affordability of the Equipment Plan.

**2: PAC conclusion: *Because of the repeated delays to the publication of the Integrated Review of Security, Defence, Development and Foreign Policy, the Department was not able to provide details of how it proposes to use the £16.5 billion additional defence funding, or what capabilities it will cut to develop a balanced investment programme.***

**2: PAC recommendation: *Within three months of the Integrated Review being published, the Department should provide full transparency on its allocation of the additional funding, including: full details of disinvestment decisions; how the funding has been used to address existing shortfalls; and the investment in new capabilities.***

2.1 The government agrees with the Committee's recommendation.

**Target implementation date:** June 2021

2.2 Following the publication of the [Integrated Review](#) on 16 March 2021, the MOD published a summary of key spending and investment decisions in the Defence Command Paper, '[Defence in a Competitive Age](#)' on 22 March 2021.

2.3 The department will write to the Committee before summer recess with a summary of the investment and savings decisions the department has taken. The department will work with the NAO over the summer to allow them to review Defence's Equipment Plan and will publish the annual Equipment Plan in Autumn 2021 alongside the NAO's report.

**3: PAC conclusion: *The Department's failure to break the cycle of short-term financial management is preventing it from developing essential military capabilities in ways that achieve value for money and is restricting its ability to respond to new opportunities or threats.***

**3: PAC recommendation: *After the Department has translated the decisions in the Integrated Review into a balanced investment programme, it should write to the Committee setting out the key principles of how it will make future investment decisions and manage its equipment budget to achieve value for money.***

3.1 The government agrees with the Committee's recommendation.

**Target implementation date:** Autumn 2021

3.2 Alongside the Equipment Plan 2021, the department will write to the Committee, outlining the key principles that will guide future investment decisions and steps the department is taking to ensure that the equipment plan remains affordable and delivers value for money.

3.3 Since the Committee's report, the department published the Defence Command Paper which sets out new policy aims and the capability decisions that were underpinned by the additional £16.5 billion investment from the 2020 Spending Review. The department has taken a balanced approach, with an appropriate level of risk and contingency, investing in the current programme and new capabilities such as space, research and development (R&D) and the Future Combat Air System (FCAS). In doing so, the department has demonstrated that it has the mechanisms in place to deliver a coherent programme and to fund modernisation will disinvest in capabilities such as in the case of Warrior Capability Sustainability Programme (CSP).

3.4 Alongside this firmer financial footing, the department is already strengthening the approach to managing the defence portfolio whilst ensuring agility to respond to future threats and opportunities. The department's approach will build on the current acquisition and approval transformation programme (AATP) and new policy framework outlined in the [Defence and Security Industrial Strategy](#) published in March 2021 to ensure future investment decisions deliver long-term value for money. The department will provide further details alongside the Equipment Plan 2021.

**4: PAC conclusion: *The Defence equipment programme is routinely jeopardised by factors that drive inflation in defence projects.***

**4: PAC recommendation: *The Department should undertake a comprehensive study to better understand the drivers of defence costs inflation. This should not merely be a statistical exercise but should look at attitudes and behaviours within the defence acquisition system, and how commercial realities and competition with other nations drive up costs. It should report the results to the Committee.***

4.1 The government agrees with the Committee's recommendation.

**Target implementation date:** Autumn 2021

4.2 The department will write to the Committee alongside the department's annual Equipment Plan report which will be published in Autumn 2021.

4.3 Understanding defence cost inflation is critical to enabling the department to make realistic and affordable plans. Defence's economics and statistics teams routinely review evidence on Defence inflation.

4.4 The department is committed to changing attitudes and behaviours within the Defence acquisition system. The department has already upgraded our investment decision-making approach and its work on acquisition culture and behaviours focuses on setting programmes up for success from the outset. This encourages early consideration of the strategic factors that affect programme risk and complexity and could drive up costs. This work will continue as part of wider acquisition and approvals transformation.

4.5 In addition, the Defence and Security Industrial Strategy (DSIS) will inform and shape ongoing work to take a more strategic approach towards UK defence and security industries.

**5: PAC conclusion: *The Department has not established a reliable and sophisticated approach to estimating the cost of its future equipment programme, including setting realistic efficiency savings.***

**5: PAC recommendation: *The Department should strengthen its approach to assessing risk in long-term projects, liaising with other government departments to establish and draw on best practice. In the next Equipment Plan report, it should explain the improvements made and set out how it has tested confidence in its ability to deliver planned efficiency savings, including those for 2021–22.***

5.1 The government agrees with the Committee's recommendation.

**Target implementation date:** Autumn 2021

5.2 The next Equipment Plan report will explain the improvements made to assess risk in long-term projects and detail on the department's planned efficiency savings.

5.3 As part of the work to strengthen the approach to assessing risk across the portfolio, the department has established a programme board to review how the department records risk in its financial forecasts to inform and support financial decision-making and control. The programme board has made several improvements, most notably the creation of centralised guidance on the methodologies for calculating risk costings and appropriate use. Supporting tools have also been made available to the project delivery community, which have purposefully been developed to accompany the new guidance.

5.4 The programme board will lead an implementation phase starting in financial year 2021-22, with the aim of fully embedding the guidance and improving the reporting, visibility and monitoring of risk across the portfolio. For the department's major programmes, this will partly be achieved by improving risk management information presented at the Quarterly Portfolio Review.

**6: PAC conclusion: *The Department does not have all the necessary arrangements or qualified staff in place to provide assurance that its Equipment Plan is reliable and has been subject to rigorous quality assurance.***

**6: PAC recommendation: *The Department should re-assess the role of its Head Office team in providing assurance on the affordability of the Equipment Plan and strengthen financial capabilities across the Department, ensuring that TLBs have adequate capacity and capability to make reliable and consistent assessments of future costs.***

6.1 The government agrees with the Committee's recommendation.

**Target implementation date:** March 2023

6.2 Strengthening the financial capabilities within the department is a key part of the department's Finance Functional Leadership Programme. The department will be delivering professional training for level 3, 4 and 7 apprenticeships for staff currently within the finance function. In addition, the department has in place a Finance Skills Certificate for finance function staff. For the senior civil service and military equivalents, the Defence Strategic Finance Programme is available, for which prior completion of the Finance Skills Certificate is mandated. The department is also in the process of developing finance training for budget holders.

6.3 As part of the design of the finance service delivery model, professional qualifications are recommended for those roles that require it and this will form part of the recruitment process when posts become vacant. It takes time to both train and recruit professionally qualified staff, but numbers will increase over time.

6.4 As part of the same programme, the department is also looking to increase capacity by introducing a standardised service delivery model; simplifying and standardising processes and exploiting the use of corporate systems.

6.5 The department is developing a centralised pool of guidance and resources to support analysts across defence which will be ready in Summer 2021. The department's Analysis Function runs a Quality Assurance Working Group to enable best practice to be shared more widely and increase knowledge of the department's business critical models.

6.6 The department's Cost Assurance and Analysis Service (CAAS) has developed training and advice in modelling and quality assurance which it provides across defence.

# Fifty-First Report of Session 2019-21

## HM Treasury and The Infrastructure and Projects Authority

### Managing the expiry of PFI contracts

#### Introduction from the Committee

Since the early 1990s the public sector has used the Private Finance Initiative (PFI) to build more than 700 public infrastructure assets such as roads, schools and hospitals. PFI deals involve the public sector entering a long-term contract with a private sector company, which has been specifically created to finance the project, through a combination of debt and equity investors, and design and build the asset. When construction is finished the PFI company operates and maintains the assets together with running any associated services over the life of the contract, typically 25–30 years. In exchange, the public sector will make annual payments to the PFI company which cover debt and interest repayments, shareholder dividends, asset maintenance, and in some cases other services like cleaning.

These contracts are now expiring and over the next 10 years, an estimated 200 PFI projects will finish, representing £10 billion of assets. In most cases, when a PFI contract expires, the assets will transfer to the public sector. The process is complex and requires the public body (the authority) that entered into the original contract to take several actions in advance of expiry. First, the authority has a duty to ensure the private company has completed any scheduled or reactive maintenance, including any rectification work required to bring the asset up to the condition stipulated in the contract. Second, the authority needs to decide if the assets and services are required after expiry and, if so, how the asset will be maintained, and the services provided.

It is ultimately the responsibility of the authority to manage its PFI contract, including the expiry process. Each authority will be supported by a sponsor department. Government departments can act as either an authority, if it directly owns a PFI contract, or as a sponsor department if it is supporting a local body such as an NHS trust or local authority with their contract. The IPA is the government's centre of expertise for infrastructure and major projects. It provides advice and support to departments and authorities. Local Partnerships, a joint venture between the Treasury, the Local Government Association and the Welsh Government, provides training and assistance to authorities on any aspect of their PFI contracts. The Treasury is responsible for PFI policy, and indirectly funds all contracts via the budgets it allocates to departments.

Based on a report by the National Audit Office, the Committee took evidence, on 8 February 2021 from HM Treasury (the Treasury), the Infrastructure and Projects Authority (IPA) and Local Partnerships about managing the expiry of PFI contracts. The Committee published its report on 19 March 2021. This is the Government's response to the Committee's report.

#### Relevant reports

- NAO report: [Managing PFI assets and services as contracts end](#) Session 2019-21 (HC 369)
- PAC report: [Managing the expiry of PFI contracts](#) Session 2019-21 (HC 1114)

#### Government response to the Committee

**1: PAC conclusion: *Government has started to deal with the expiry of PFI contracts, but there remains a lack of urgency and overall plan.***

**1:PAC recommendation: *Within 3 months, the IPA should publish a plan for how it will support all public bodies with expiring PFI contracts, beyond those expiring in the immediate short-term, including what they will deliver and by when. It should also proactively publish guidance for authorities. HM Treasury should write to key departments encouraging them to develop sector specific PFI expiry guidance.***

1.1 The government agrees with the Committee's recommendation.

**Target implementation date:** Summer 2021

1.2 The Infrastructure and Projects Authority (IPA) will publish a plan for supporting all authorities with PFI contracts. The plan will also set out a timetable for the publication of guidance notes on contract expiry and other matters. The Treasury and the IPA will jointly write to departments to encourage them to develop sector specific guidance where it will add value and to take part proactively in the PFI Contract Management programme.

**2: PAC conclusion: *The IPA does not yet have the data it needs to fully understand the challenges of managing the expiry of PFI contracts***

**2a: PAC recommendation: *The IPA should write to the Committee within 3 months with an update on the thematic PFI expiry challenges that it has identified following its review of 55 contracts and how it proposes to address them.***

2.1 The government agrees with the Committee's recommendation.

**Target implementation date:** Summer 2021

2.2 The IPA will write to the Committee setting out the emerging themes from all of the PFI contract expiry health checks that have been completed and how the issues raised will be addressed.

**2b: PAC recommendation: *In addition to this, the IPA should compile a central list of all PFI expiry dates to help authorities prepare for their conclusion.***

2.3 The government agrees with the Committee's recommendation.

**Target implementation date:** Winter 2021

2.4 Through the annual PFI data collection exercise, the IPA collects data on the date of expiry of PFI contracts. The annual data collection is a significant undertaking and the IPA is reliant on departments providing accurate and comprehensive information.

**3: PAC conclusion: *Many authorities currently lack the skills, expertise and capabilities to successfully deliver PFI contract expiry, with locally managed contracts most at risk.***

**3: PAC recommendation: *The Treasury and the IPA should write to Committee within 3 months outlining how they plan to fill the current skill shortages, focusing particularly on those authorities with limited funds to recruit or buy-in external support.***

3.1 The government agrees with the Committee's recommendation.

**Target implementation date:** Summer 2021

3.2 The Treasury and the IPA will write to the Committee setting out a potential plan to fill current skill shortages, particularly for those authorities with limited funds to buy-in external support.

**4: PAC conclusion: *The IPA is not clear what support will be provided to authorities with expiring PFI contracts, and who will provide that support.***

**4: PAC recommendation: *The Treasury and the IPA should set out, within 3 months, their plan for providing support to all PFI contracts, especially those owned outside of central government. This should cover:***

- ***What support will be made available, including how additional funding will be provided to authorities with limited resources or those with the most challenging contracts.***
- ***Who is responsible, between the Treasury, the IPA, departments, and local government, for providing support.***
- ***The circumstances under which authorities can access different types of support and the process they need to go through to obtain it.***

4.1 The government agrees with the Committee's recommendation.

**Target implementation date:** Summer 2021

4.2 The IPA and HM Treasury will write to the Committee in these terms. Of course, decisions on any additional funding will be a matter for ministers to determine in the forthcoming 2021 Spending Review. The envelope for the Spending Review will be set out in due course.

**5: PAC conclusion: *We are concerned that the approach to managing the expiry of PFI contracts risks authorities working in silos rather than collectively securing value for the taxpayer.***

**5: PAC recommendation: *Within 3 months, the Treasury should outline how it is ensuring taxpayer interests are being protected when the expiry of PFI contracts creates a change of asset ownership between public bodies.***

5.1 The government agrees with the Committee's recommendation.

**Target implementation date:** Summer 2021

5.2 HM Treasury will set out its response to this issue and understands that it relates mainly to the school academies issue as discussed with the Committee at the evidence session.

**6: PAC conclusion: *The IPA has not set out a clear escalation process to avoid disputes between the public and private sector going through the courts.***

**6: PAC recommendation: *The IPA should publish a disputes protocol, outlining how disputes can be escalated by authorities, and the steps that can be taken to ensure disputes only need to be resolved by the courts as a last resort. Where disputes do materialise, the IPA should conduct a review to determine whether it is a one-off disagreement or a wider problem that may impact other contracts.***

6.1 The government agrees with the Committee's recommendation.

**Target implementation date:** Summer 2022

6.2 As part of its discussions with PFI investors, the IPA intends to agree a disputes protocol that will set out how to resolve issues before they need to be taken through a formal contractual dispute resolution procedure, including through the courts. It will make clear the government's view that disputes should usually be settled before they reach the courts. Specific guidance will be considered where disputes indicate a wider underlying issue.

**7: PAC conclusion: *The IPA has not outlined clearly how it plans to engage with investors to ensure that authorities have access to all information needed to manage the expiry process.***

**7: PAC recommendation: *The IPA should write to the Committee within 3 months outlining the steps it is taking to ensure PFI investors are being fully transparent and compliant with contracts, and what action, if any, it will take if an investor is found to be deliberately non-co-operative.***

7.1 The government agrees with the Committee's recommendation.

**Target implementation date:** Summer 2021

7.2 The IPA confirms it intends to develop a protocol with investors that outlines how PFI investors should operate during the expiry process, including requirements for transparency and compliance with contractual obligations. The IPA will write to the Committee outlining the further steps it is taking to achieve this.

## Treasury Minutes Archive<sup>2</sup>

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: 349  
Recommendations agreed: 316 (90%)  
Recommendations disagreed: 33

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
April 2021	Government responses to PAC reports 40- 44	CP 420
May 2021	Government responses to PAC reports 45-51	CP 434

### 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

<sup>2</sup> 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%)

<b>Publication Date</b>	<b>PAC Reports</b>	<b>Ref Number</b>
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 <sup>3</sup>	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%)

<b>Publication Date</b>	<b>PAC Reports</b>	<b>Ref Number</b>
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

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<sup>3</sup> 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 <sup>4</sup>	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 <sup>5</sup>	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

<sup>4</sup> Includes updates to Treasury Minutes published up to July 2019

<sup>5</sup> 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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