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Treasury Minutes

Government responses to the Committee of Public Accounts on the First to the Sixth reports from Session 2021-22

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August 2021

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Government responses to the Committee of Public Accounts Session 2021-22

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First Report of Session 2021-22

Department for Transport and the Department for Business, Energy & Industrial Strategy

Low Emission Cars

Introduction from the Committee

Transport is the UK's largest source of carbon emissions, with road transport being a substantial contributor. The government is trying to increase the number of ultra-low emission and zero-emission cars on the road as a way of reducing carbon emissions. Up to March 2020, it had spent £1.1 billion on a range of consumer grant schemes and an awareness campaign to encourage people to make the switch. This aim is not new; previous governments have been promoting ultra-low emission cars since 2011, with the Departments for Transport and for Business, Energy & Industrial Strategy creating a team called the Office for Zero Emission Vehicles to support the transition. In November 2020, government announced its ambition to stop the sale of new cars that are powered solely by petrol or diesel by 2030. From 2035, only new zero-emission cars can be sold.

Based on a report by the National Audit Office, the Committee took evidence on Thursday 11 March 2021 from the Department for Transport and from the Department for Business, Energy & Industrial Strategy. The Committee published its report on 19 May 2021. This is the government response to the Committee's report.

Relevant reports

- NAO report: Reducing Carbon Emissions from Cars – Session 2019-21 (HC 1204)
- PAC report: Low Emission Cars – Session 2021-22 (HC 186)

Government response to the Committee

1: PAC conclusion: The Departments for Transport and for Business, Energy & Industrial Strategy have not yet published a clear plan for delivering the Government's ambition for the expansion of zero-emission cars.

1: PAC recommendation: Departments for Transport and for Business, Energy & Industrial Strategy should set out their plans for managing the complex transition to electric cars and ensure that progress can be monitored against it. They should then regularly report on progress being made towards the 2030 target to phase out new petrol and diesel cars and the associated impact on reducing carbon emissions. As well as tracking the take-up of these vehicles, the Departments should regularly report progress against a range of metrics covering, for example:

- ***the relative affordability of zero-emission vehicles compared to their petrol or diesel equivalents (comparing upfront costs and then running costs);***
- ***the sales of ultra-low emission vehicles in the second-hand car market as a proportion of overall second-hand sales;***
- ***the accessibility of charging infrastructure in each region/local authority area; and,***
- ***the overall impact on carbon emissions from the UK car fleet.***

1.1 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2021

1.2 The government recognises the complexity of the transition to electric vehicles (EVs) and the importance of working with stakeholders to ensure that the ambitious 2030 and 2035 phase out dates are achieved. To support this collaboration, and to give greater clarity on the pathway to the phase out dates, The Department for Transport (DfT) published its 2035 Delivery Plan on 14 July 2021 setting out the major milestones towards the phase out dates and committed spending and regulatory measures. The DfT will monitor progress against the plan and report publicly on an annual basis. Further, the DfT will conduct a review of progress towards the phase out dates by 2025.

1.3 The DfT also intends to publish an EV infrastructure strategy in autumn 2021, setting out the vision and actions to support the charging infrastructure roll out needed to achieve the 2030 and 2035 goals successfully and accelerate the transition to a zero emission fleet.

1.4 Finally, the DfT published a Green Paper on 14 July 2021 setting out the post-EU regulatory regime for carbon dioxide emissions from new road vehicles, to ensure the phase out dates are met and support carbon reductions. This considers the overall fleet efficiency and delivery of the move to 100% zero emission vehicle (ZEV) sales for cars and vans.

2: PAC conclusion: There are a wide range of consumer-facing issues that still need to be addressed to increase the uptake of zero-emission cars.

2: PAC recommendation: The Departments for Transport and for Business, Energy & Industrial Strategy need to have a sufficient understanding of how changes to the vehicle market are impacting, and going to impact, different types of consumers in different parts of the country. Their plan for expanding the number of zero-emission cars on our roads needs to clearly set out how they propose to tackle emerging consumer issues.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2021.

2.2 The government wants consumers and businesses across the UK to benefit from the transition to ZEVs. The 2035 Delivery Plan set out key commitments, funding and milestones to help achieve the transition, and the EV infrastructure strategy (autumn 2021) will set out the vision and action plan for charging infrastructure roll out. The government is already taking steps to tackle consumer issues, including:

2.3 *Affordability:* The government's plug in vehicle grants provide money off the up-front purchase price for people making the switch to EVs. Tax incentives are also available, including favourable company car tax rates, which can save drivers over £2,000 a year. The government is also supporting the second hand EV market, through support for charging infrastructure and zero vehicle excise duty for ZEVs.

2.4 *Charging provision:* The DfT is investing £1.3 billion in accelerating the roll out of charging infrastructure over the next four years, targeting support on rapid chargepoints on motorways and major roads, and supporting the installation of more on-street chargepoints near homes and workplaces.

2.5 *Consumer experience of public charging:* The DfT has consulted on using powers under the Automated and Electric Vehicles Act 2018 to make it easy to pay to charge a vehicle, ensure reliability and make chargepoint data freely available, helping drivers easily locate and access available charge points. The DfT plans to regulate later in 2021.

2.6 The government will continue to work closely with a range of bodies representing consumers and will continue to monitor consumer issues and needs as we move from early to mass market. Departments will continue to make the case for government intervention as necessary at the forthcoming 2021 Spending Review.

3: PAC conclusion: We are not convinced that government has sufficiently thought through how the charging infrastructure will expand at the pace required to meet the ambitious timetable to phase out petrol and diesel vehicles.

3: PAC recommendation: The Department for Transport should set out as part of its plan for increasing the use of electric cars, how it intends to address the remaining barriers to expanding the charging network, for example, the availability of chargers where drivers do not have off-street parking.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2021

3.2 The DfT's EV infrastructure strategy (autumn 2021) will set out the vision and action plan for market-led charging infrastructure roll out needed to achieve the 2030 and 2035 phase out dates and to accelerate the transition to a zero emission fleet. Planning and delivery of chargers for drivers without off-street parking will be a key focus of the strategy.

3.3 Both the Department for Business, Energy & Industrial Strategy (BEIS) and the DfT are taking steps to tackle remaining barriers and ensure the appropriate charging and energy infrastructure is rolled out. This includes investing £1.3 billion over the next four years to help make charging as easy as refuelling a petrol or diesel car, and through regulations such as improving the consumer experience at public chargepoints. The DfT has also consulted on amending building regulations to require chargepoint installation in new homes, non-residential properties and during major renovations.

3.4 The DfT's On-street Residential Chargepoint Scheme has a further £20 million funding in 2021, and at the 2020 Spending Review, £90 million was committed to fund local EV infrastructure, in particular to support the roll out of larger on-street charging schemes and rapid hubs in England.

3.5 The government is also working closely with local authorities, encouraging uptake of central government funding and ensuring more widespread regional and local action on the provision of chargepoint infrastructure.

3.6 To share good practice, the DfT has commissioned a guide for local authorities on implementing EV infrastructure in their areas and government has funded the Energy Saving Trust to run a programme to support English local authorities develop strategies to increase the adoption of EVs and promote low carbon travel.

3.7 As above, departments will continue to make the case for government intervention as necessary at the forthcoming 2021 Spending Review.

4: PAC conclusion: The Departments have not yet demonstrated how they are going to encourage industry to maintain proper environmental and social standards throughout their supply and recycling chains as the zero-emission car market grows.

4: PAC recommendation: ***The Departments for Transport and for Business, Energy & Industrial Strategy should set out their approach to encouraging car manufacturers to maintain proper environmental and social standards throughout their supply and recycling chains as zero-emission cars volumes grow. This includes as examples:***

- ***publishing information on lifecycle emissions;***
- ***details of relevant reporting standards for manufacturers on environmental and social stewardship; and,***
- ***future plans to develop the reporting standards.***

4.1 The government agrees with the Committee's recommendation.

Target implementation date: Winter 2022

4.2 The government is aware of the social, environmental and supply concerns surrounding the mining of raw materials for EV batteries. The vehicle manufacturing industry is global, and as such the government is collaborating internationally on guidance and governance programmes. The government is working to address these concerns in three main ways:

4.3 *Technology and recycling:* The government and industry are funding research and development (R&D) to reduce, replace and recycle critical raw materials in batteries, and government is supporting initiatives to localise more of the battery supply chain to the UK. This will further improve sustainability and affordability of key chemicals, materials and components.

4.4 *International collaboration and guidance:* The Faraday Institution, funded by government, participates in the Global Battery Alliance which seeks to address the human, health and environmental challenges of batteries. The Alliance is developing a Battery Passport (to launch at the end of 2022), a digital log of all the information relating to a 'sustainable' battery, such as environmental, social, governance and lifecycle requirements, which enables lifelong traceability. Additionally, the government encourages states and those working in the industry to implement the OECD's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

4.5 *Responsible sourcing and governance programmes:* The Foreign, Commonwealth and Development Office (FCDO) is working directly with civil society and mining companies to ensure responsible sourcing of raw materials and support for programmes that develop innovative approaches for ending child labour and human rights abuses. The Department for International Trade (DIT) also supported the London Metal Exchange in developing responsible sourcing requirements, to which all listed brands must adhere.

4.6 Given the global nature of the automotive industry, the government has no plans to unilaterally set standards.

5: PAC conclusion: There are other issues to be addressed in the transition to zero-emission cars, such as the need to train and retrain the workforce required to service the new car fleet, the impact on the demand for power, and the tax implications from phasing out new petrol and diesel cars.

5: PAC recommendation: The Departments for Transport and for Business, Energy & Industrial Strategy need to work with other departments to consider the practical implications of the transition to zero-emission cars. They should set out in their plan how they are going to manage the wider societal impacts of phasing out new diesel and petrol cars, for example, retraining the UK workforce, the impact on power generation and transmission, and implications for the UK tax take.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2023

5.2 The government is taking action to address the practical implications of the transition to electric cars. The DfT's 2035 Delivery Plan sets out at a high-level industry-led action being taken on skills and plans for managing the impacts on the electricity system but will not cover taxation.

5.3 *Skills:* The DfT is working with the Institute of the Motor Industry to ensure the UK's workforce of mechanics are well trained and have the skills they need to repair EVs safely. The automotive sector is also participating in the government's Emerging Skills Project and the Green Jobs Taskforce, which is developing a long-term plan that sets out the skills needed to help deliver a net zero carbon economy.

5.4 *Preparing the electricity grid:* The Energy White Paper (December 2020), sets out government's plan to ensure electricity networks are prepared and able to integrate EVs at the same time as other technologies such as heat pumps and new low carbon generation. Distribution network operators are incentivised to ensure the adequacy of local electricity networks through the regulatory framework set by Ofgem. The network operators are currently developing business plans to present to Ofgem for funding under the next Revenue = Incentives + Innovation + Outputs (RIIO) price control period, which begins in spring 2023.

5.5 *Tax implications:* The government will need to ensure that the tax system encourages the uptake of EVs. Revenue from motoring taxes needs to keep pace with this change, to ensure government can continue to fund the first-class public services and infrastructure that people and families across the UK expect.

Second Report of Session 2021–22

British Broadcasting Corporation

BBC strategic financial management

Introduction from the Committee

The BBC is the UK's main public service broadcaster, providing a wide range of television, radio and digital services. It is primarily funded by households paying the television licence fee, receiving £3.52 billion in 2019–20, but its Royal Charter also allows it to generate income from commercial activities. The BBC is independent of government but is a public corporation, sponsored by the Department for Digital, Culture, Media & Sport (DCMS) and regulated by Ofcom. The BBC is currently negotiating with government about the future funding it will receive from the licence fee. These negotiations are in the context of significant financial challenges for the BBC including a notable drop in audiences as competition for screen time intensifies with licence fee income declining by £310 million between 2017–18 and 2019–20.

On the basis of a report by the Comptroller and Auditor General, the PAC took evidence from the BBC on 22 March about its strategic financial management. The Committee published its report on 21 May.

Relevant reports

- NAO report: The BBC's strategic financial management– Session 2019-21 (HC 1128)
- PAC report: BBC strategic financial management – Session 2021-22 (HC 187)

Government response to the Committee

The BBC will respond directly to the Committee to the recommendations in the Committee's report.

Third Report of Session 2021-22

Department for Education

COVID-19: Support for children's education

Introduction from the Committee

In March 2020, there were almost 21,600 state schools in England, educating 8.2 million pupils aged four to 19. The Department is responsible for the school system and is ultimately accountable for securing value for money from the funding provided for schools.

On 18 March 2020, the government announced that, to help limit transmission of the COVID-19 virus, from 23 March schools would close to all pupils except vulnerable children and children of critical workers. Education for most children would therefore take place remotely at home. While schools partially re-opened in June, most children did not return to school until the start of the new school year in September.

Based on a report by the National Audit Office, the Committee took evidence on 23 March 2021 from the Department for Education (the Department) on its response to the COVID-19 pandemic in spring and summer 2020, and on how it is supporting children to catch up on the learning lost while normal schooling was disrupted. The Committee published its report on 26 May 2021. This is the government response to the Committee's report.

Relevant reports

- NAO report: Support for children's education during the early stages of the COVID-19 pandemic – Session 2019-21 (HC 1239)
- PAC report: COVID-19: Support for children's education – Session 2021-22 (HC 240)

Government response to the Committee

1: PAC conclusion: The Department seems surprisingly resistant to the idea of conducting a proper lessons-learned exercise on its early response to the pandemic.

1: PAC recommendation: ***The Department should carry out a systematic lessons-learned exercise, to evaluate its response to the pandemic and identify departmental specific lessons. It should then write to us, setting out its main findings.***

1.1 The government agrees with the Committee's recommendation.

Target implementation date: December 2022

1.2 The Department for Education's (the department) approach will be to take forward the Committee's recommendation in a way that is consistent and collaborative with other pieces of work across government to look at lessons learnt.

1.3 As the response to the COVID-19 pandemic has been delivered collectively, the department intends to carry out lessons learned looking across the whole piece and will continue to engage with Cabinet Office to ensure that the department is appropriately involved in any cross-government activity that takes place.

1.4 As part of COVID-19 planning across the department, different projects and policy areas continue to strengthen operational delivery. Lessons learned and building back stronger remain central to decision making.

1.5 The department will continue to analyse its response to COVID-19, developing activities that put the department in a strong position to support children and learners to thrive as well as preparing to respond to future challenges that the department may face.

2: PAC conclusion: Only a small minority of vulnerable children attended school in the early stages of the pandemic, increasing the risk of hidden harm.

2: PAC recommendation: The Department should work with the Association of Directors of Children's Services to understand why the number of referrals to children's social care services remains below expected levels, and take action in light of the findings to make sure children are being effectively safeguarded.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: January 2022

2.2 The department continues to work with the Association of Directors of Children's Services (ADCS) and local authorities (LAs) to collect, interpret and report data on referrals to children's social care during the pandemic.

2.3 The latest data in the Vulnerable children and young people survey suggest that overall referrals since the pandemic began remains around 10% below expected levels. The survey includes data on sources of referrals to enable tracking of referrals from partners (such as schools or police) against expected numbers. In addition, the survey includes qualitative insights into how some LAs are working differently with local partners to safeguard vulnerable children in their local area during this time.

2.4 While the department continues to interrogate the data on referrals it is already supporting LAs to ensure children are effectively safeguarded.

2.5 The Children's Social Care recovery fund will provide up to £24 million for nine regional plans to fund proven solutions to challenges local authorities face in delivering effective children's social care services following COVID-19.

2.6 Additionally, the department intervenes in all local authorities that are rated inadequate for children's social care services and supports improvement in those where performance is declining.

3: PAC conclusion: The disruption to schooling had a particularly detrimental impact on children with special educational needs and disabilities, in terms of both their education and their health.

3: PAC recommendation: The department should work with the Department of Health and Social Care to identify the specific actions needed to help children with SEND recover from the damage caused during the pandemic.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2021

3.2 As part of the department's 2020-21 recovery plan, it is working closely with the Department for Health and Social Care (DHSC), NHS England and Public Health England to establish what impact the pandemic has had on access to therapies so that it has the right actions in place to help children with special educational needs and disabilities (SEND).

3.3 In November 2020, DHSC announced £500 million for mental health and the NHS workforce. As part of that, £31 million will be used to address challenges faced by individuals with a learning disability and autistic people, including £3 million for community respite services for autistic children and young people, and children and young people with a learning disability.

3.4 The department is also investing an additional £79 million in mental health in schools support teams to cover around 35% of pupils in England by 2023.

3.5 The department continues to work closely with DHSC to make children's mental health and wellbeing a central part of its response.

4: PAC conclusion: ***The Department has no vision for building on the investment it has made in IT equipment for vulnerable and disadvantaged children.***

4: PAC recommendation: ***Access to IT equipment is vital for pupils, both in normal times and in times of disrupted schooling. The Department should set out a plan for how it will ensure that all vulnerable and disadvantaged children have access to IT equipment to support their learning at home. The plan should make clear the roles of the Department, local authorities and schools, and set out what funding will be available to maintain and replace equipment.***

4.1 The government disagrees with the Committee's recommendation.

4.2 The government has invested over £400 million in devices, internet access and training to support access to remote education and online social care services for disadvantaged children and young people. This injection of 1.3 million laptops and tablets to schools, trusts, local authorities and further education colleges supplemented the 2.9 million devices that were already in the system.

4.3 Devices are owned by the institutions to which they were allocated. They are responsible for maintaining the devices and ensuring they are put to good use, and they may have valid reasons for restricting their devices to onsite use while face-to-face education is not disrupted.

4.4 The department will build on the foundations of this investment in technology by developing an evidence-based strategic approach to technology use in the education sector, and will explore options that create a more resilient, digitally enabled system. This approach will consider devices and the infrastructure and capability required to make the best use of these devices.

4.5 The department will evaluate the impact of the Get Help with Technology intervention and take this into account when developing its future policies on digital inclusion and use of technology in education and children's social care.

4.6 The department may need to prioritise its interventions and will take an evidence based and user-centred approach in collaboration with the sector and with industry. The Committee's recommendation will be taken into account as the department develops its approach.

5: PAC conclusion: ***The Department has not set out how it will judge the effectiveness of the catch-up programme in making up for the learning children lost as a result of the disruption to schooling.***

5: PAC recommendation: Alongside its Treasury Minute response, the Department should write to us, setting out clear metrics that it will use to monitor the catch-up learning programme, and what level of performance would represent success.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2021

5.2 The government's education recovery strategy aims to reduce year on year lost learning due to COVID-19. The department is currently developing metrics to monitor this and will write to the Committee in Autumn 2021.

5.3 Monitoring overall education recovery, including for specific groups of learners will track and provide evaluation of specific interventions.

5.4 The department has commissioned Renaissance Learning, and their subcontractor, the Education Policy Institute, to provide a baseline assessment of the learning loss and catch-up needs for pupils in schools in England and to monitor progress over the course of the academic year 2020-21; and are seeking commercial agreements for further academic years.

5.5 The department has a contract with Ipsos MORI, in consortium with Sheffield Hallam University and the Centre for Education and Youth to undertake a mixed-methods study design (including surveys, interviews, and case studies) to examine how schools are tackling the issue of lost learning.

5.6 Results from the study will be used to understand how the catch-up premium funds have been spent and how best to support schools to tackle learning loss.

5.7 The department has commissioned evaluations of specific interventions, such as the National Tutoring Programme, to understand the effectiveness of individual interventions and will use management information to track progress against delivery. The department will collate this evidence to assess the performance of the overall programme.

6: PAC conclusion: The success of the National Tutoring Programme will depend on the quality of provision and whether it reaches the disadvantaged children who need it most.

6: PAC recommendation: The Department should set out how it intends to gain assurance on the quantity and quality of tutoring and mentoring provided under the National Tutoring Programme. Its response should cover in particular how it intends to ensure there is adequate tutoring and mentoring provision in areas of the country where educational attainment is lower.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: July 2022

6.2 The department is increasing access to high-quality tuition based on evidence that shows tuition can boost catch up learning by up to five months.

6.3 The National Tutoring Programme (NTP), will continue in academic year 2021-22 with an increased reach, to provide additional, targeted tuition for pupils who have been hardest hit from disruption to their education.

6.4 In academic year 2020-21 the department monitored regional spread to ensure there is good provision across England. There is extensive communications and engagement with schools to ensure that as many as possible sign up for the programme. The department continuously monitors take up and engagement amongst schools to consider where it may need to boost demand. In regions with lower take-up it increased engagement via target Local Authorities and Multi-Academy Trusts.

6.5 For 2021-22, the provider has operational targets to ensure minimum reach and focus on areas of low reach and attainment. The department will closely monitor performance against targets under the terms of the contract

6.6 Quality of tuition remains at the very core of NTP for 2021-22. The provider is responsible for appointing Tuition Partners and Academic Mentors according to rigorous quality criteria. The department will hold the provider to account for maintaining the quality of the tutoring through regular reporting and monitoring. In addition, evaluations are being conducted for both year 1 and year 2 of the NTP. The department will have results before the end of the programme.

Fourth Report of Session 2021-22

Ministry of Housing, Communities and Local Government

COVID-19: Local government finance

Introduction from the Committee

Local authorities in England have played a vital role during the COVID-19 pandemic: paying grants to businesses, providing support to vulnerable people who are shielding, setting up community testing facilities and taking on the most challenging contact tracing, all the while keeping existing services running. Authorities have achieved this while dealing with the impact of the pandemic on their finances, which were already under strain going into the pandemic.

The Ministry of Housing, Communities & Local Government (the department) is responsible for working across government to support HM Treasury to make major decisions about local government funding. The department plays a significant role in distributing that funding. The department is also responsible for the accountability system that assures Parliament about how local authorities use their resources, including preventing and responding to financial and service failure.

The department acted quickly to support local authority finances early in the pandemic, announcing un-ringfenced grants for local authorities of £1.6 billion on 19 March 2020 and £1.6 billion on 18 April 2020. It supported local authority cash flow through measures totalling nearly £6.85 billion in the same months. In total, by early December 2020, the department had provided £4.55 billion in un-ringfenced grants to support local authorities' response to the pandemic, as part of £9.1 billion in COVID-19 funding for local authorities from government announced by that point.

Based on a report by the National Audit Office, the Committee took evidence on 18 March 2021 from the Ministry of Housing, Communities and Local Government. The Committee published its report on 4 June 2021. This is the government response to the Committee's report.

Relevant reports

- NAO report: Local government finance in the pandemic – Session 2019-21 (HC 1240)
- PAC report: COVID-19: Local government finance – Session 2021-22 (HC 239)

Government response to the Committee

1: PAC conclusion: The Department was not sufficiently prepared for the local government finance implications of a severe emergency.

1: PAC recommendation: The Department should capture learning from the pandemic and write to us by the end of 2021 setting out how it will use this to prepare a flexible framework for responding quickly to the implications of severe national emergencies for local government.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: December 2021

1.2 In the run-up to the COVID-19 pandemic, the Ministry for Housing, Communities and Local Government (MHCLG or the department) had participated in Operation Cygnus, the pandemic flu preparedness exercise, with engagement led by the Resilience and

Emergencies Division. The lessons informed the Pandemic Flu Readiness Board (PFRB) work programme as commissioned in February 2017.

1.3 Departmental contingency planning had also stress-tested local government's responses to economic shock, and this planning informed the response to the pandemic; but the economic impact of the pandemic surpassed all expectations, and the department accepts that it had not modelled a crisis of this scale.

1.4 The department's objective from the outset, and the policy levers available, were clear. The key objective, to protect public services, has remained throughout, while as the pandemic developed, the department has also acted to increase support to local authorities and strengthen engagement and monitoring.

1.5 The department therefore acted quickly to provide proactive funding of £3.2 billion and build a monitoring and engagement framework to ensure the department's actions were evidence-led, responsive and timely, addressing the very serious risks to public services. In July 2020, the department then announced a comprehensive package of measures including further funding for expenditure costs and support for tax and sales fees losses. The new systems, including financial impact monitoring, which have been put in place will stand the government in good stead if they are needed again in future, as will the framework we have developed, which can support losses of income and increases in expenditure through Section 31 grants. The department will write to update the Committee by the end of 2021 to set out how it is improving its oversight of local government finance to prepare for future emergencies.

2: PAC conclusion: The pandemic has exposed limitations in the data that the Department normally collects from local authorities, meaning it has not had a proper picture of local financial resilience.

2a: PAC recommendation: The Department should draw on the experience of collecting data during the COVID-19 pandemic to improve its regular collections of local government financial data. In particular, it should write to us by October 2021, setting out:

i) what, if any, changes it plans to make to its regular collections based on its experience of data collection and use in the pandemic; and

2.1 The government agrees with the Committee's recommendation.

Target implementation date: October 2021

2.2 The department agrees that the Local authority COVID-19 financial impact monthly monitoring collection has been a valuable source of information. The collection was developed at pace in Spring 2020, and has evolved continuously, benefitting from extremely high response rates and engagement. To date, 12 rounds of information have been published. The process has been informed by close sector collaboration, and the data are collected on a voluntary basis, in recognition of the pressures local authorities are facing.

2.3 The monthly monitoring returns have been a valuable source of evidence, providing near-real time data at a time of significant volatility. These figures are, however, based on self-reported 'best estimates', and are management information rather than official certified returns and should therefore be treated with appropriate caution. This contrasts with regular data collection where timeliness is less important and greater accuracy and assurance desired.

2.4 The department has recently launched a review of pre-existing local government finance data collections, and the review's first steering group met on 15 June 2021. The review will consider issues around local authority expenditure and borrowing data, consult stakeholders to identify which data needs are currently being met, and prioritise changes to consider. In addition, the review will set out recommendations for a sustainable process for identifying and implementing changes. The department will consider the future of the monitoring collection as part of this review.

2.5 The department will write to the Committee in October 2021 to provide an update on the review and how it is taking forwards the lessons learned.

2b: PAC recommendation: The Department should draw on the experience of collecting data during the COVID-19 pandemic to improve its regular collections of local government financial data. In particular, it should write to us by October 2021, setting out:

ii) how it plans, in consultation with the sector, to improve the usefulness of its data on local authority reserves specifically.

2.6 The government agrees with the Committee's recommendation.

Target implementation date: October 2021

2.7 The department agrees that collecting more detailed information on local authority reserves levels will increase understanding and transparency around reserves. This will improve understanding of local authority reserves levels both within government and for the wider public. The department's *Local authority COVID-19 financial impact* monthly monitoring includes questions on reserves, which are useful but do not go through as much validation as official statistics so are less reliable.

2.8 The department intends to make changes to the Local Authority Revenue Expenditure and Financing collections to require more detailed information from local authorities on the different types of earmarked reserves that they hold. The department will soon consult on the proposed changes with the finance subgroup of the Central Local Information Partnership, a group made up representatives from MHCLG, local authorities and other interested expert bodies.

2.9 The department will write in October 2021 to update the Committee on the status of these changes.

2c: PAC recommendation: The Department needs to examine its arrangements, and make changes as necessary, for oversight of financial risk in the sector and ensure that lessons from the financial issues at Croydon Council have been learned. The Department should set out its response when it writes to us by October 2021.

2.10 The government agrees with the Committee's recommendation.

Target implementation date: October 2021

2.11 Whilst the department has stewardship of the overarching system, local authorities remain independent from central government, are responsible for managing their budgets in line with local priorities and are held accountable by local communities. The department does not performance manage local authorities, but relies on a series of checks and balances, including audit, as part of a wider accountability framework.

2.12 The department has closely monitored the pandemic's impact on local authorities and responded rapidly to a small number of requests for exceptional financial support. All capitalisation directions were published on Gov.uk.

2.13 The department has considered how it engages local authorities at risk of experiencing financial, governance or service delivery challenges, to ensure that government takes action, where appropriate, consistently.

2.14 In the wake of the pandemic, the department has implemented changes to its approach. The Government Internal Audit Agency (GIAA) reviewed the design of intended changes and improvements being made to the stewardship framework, intended to ensure flexibility for responding to emergencies, and improve on other issues within the previous framework of assurance. In 2021-22, GIAA will undertake an in-depth assurance review to provide assurance that the framework is working as intended, and manages risks highlighted by the National Audit Office. Since the onset of the pandemic the department has increased its engagement across the sector and improved its internal processes around risk. The department also agreed principles and an approach to dealing with requests for additional support through the Exceptional Financial support process.

2.15 Regarding Croydon Council, as the external auditors noted, "the depth of the issues …existed prior to the pandemic" but were exacerbated by it. Following a non-statutory review, the Secretary of State appointed an improvement and assurance panel. The department will continue to engage with Croydon and consider the panel's recommendations, which alongside the Secretary of State's responses are published on Gov.uk. The department has taken on board lessons from this process and this is reflected in the design of external assurance reviews for councils requesting financial support. The department will write in October 2021 to set out its response to the Committee.

3: PAC conclusion: Government support schemes during the pandemic were not always designed with sufficient knowledge of local government finance or input from the sector.

3: PAC recommendation: HM Treasury, the Department for Education, the Department of Health & Social Care, the Department for Business, Energy & Industrial Strategy, the Department for Environment, Food & Rural Affairs, and the Department for Digital, Culture, Media & Sport, in co-operation with the Department, should write to us by October 2021 setting how they will improve, and then maintain, their understanding of the operational realities of local government finance and the financial pressures authorities face.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: October 2021

3.2 The department has worked closely with other government departments to ensure a coordinated response that takes close account of local government financial pressures, including on the design of the *Local authority COVID-19 financial impact* monthly monitoring, and through communication of the results. The department has also led sector engagement and ensured two-way communication between other departments and local authorities, including meetings on specific policy problems, as well as virtual visits and themed roundtables, to encourage knowledge-sharing.

3.3 The department has utilised established processes and cross-Whitehall relationships at every level, helping to embed local government finance intelligence – both technical expertise and monthly monitoring data - into policy-making processes at the earliest opportunity.

3.4 The department will work alongside other government departments to help them assess what steps can be taken to further a greater understanding of local government finance.

3.5 The department will coordinate a written response to the Committee by October 2021 outlining how each department plans to improve, and then maintain, their understanding of the operational realities of local government finance and the financial pressures authorities face.

4: PAC conclusion: The Department has not fulfilled previous assurances that it will be transparent about financial risk in the sector by sharing information with the National Audit Office.

4: PAC recommendation: In discussion with the National Audit Office, within three months the Department should find a way to share information relevant to financial risk in the sector, including about individual local authorities, while indicating on what basis it can or cannot be shared further.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: October 2021

4.2 The department is mindful of the need for the National Audit Office (NAO) to receive information that will allow for them to make robust conclusions about the integrity and quality of the department's work and to provide assurance on the department's management of the accountability framework, as part of ongoing studies.

4.3 The department recognises the NAO's legitimate statutory interest in these matters. At the same time, it is important that local authorities are able to engage with the department in confidence about their individual positions. The department has in the past shared material relating to our assessment of risks and challenges to support specific studies that recognises the confidentiality of conversations with individual local authorities. The department will continue to engage with NAO about how to meet their needs in this regard, in line with statutory responsibilities.

5: PAC conclusion: The Department's over-optimism about the impact of the pandemic on local authorities' risk leading to reductions in services for local people.

5a: PAC recommendation: The Department, working with other government departments, should ensure that decision-making about actions to stabilise local government finance is informed by sufficient information about the service implications of current financial pressures.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: October 2021

5.2 The department believes it has made a realistic assessment of the impact of the pandemic on local authorities and the resultant risk of service reductions.

5.3 The department responded rapidly in March 2020 in providing un-ringfenced funding to support local authorities with the pressures they faced and has provided over £6 billion in un-ringfenced funding since the start of the pandemic in total. The department also rapidly established its *Local authority COVID-19 financial impact* monthly monitoring data collection process to ensure government was able to effectively monitor pressures on the sector and respond accordingly. The latest data from this monthly monitoring (May 2021) suggests that pressures have been met for the sector.

5.4 Resources made available through the 2020 Spending Review and annual settlement allowed councils in England access to an overall increase in Core Spending Power from £49 billion in 2020-21 to up to £51.3 billion in 2021-22, a 4.6% increase in cash terms. This is in line with the available increase from 2019-20 to 2020-21. This recognises the resources councils need to meet their spending pressures and maintain current service levels. The

Exceptional Financial Support process is available if needed. Every local authority has now set a budget for 2021-22.

5.5 The department has also continued to engage with other government departments throughout the pandemic on service specific pressures and additional asks placed on local authorities as part of their vital role in the pandemic response to ensure that the sector was both engaged on the policy design and fully funded for the asks placed on them. As MHCLG prepares for the 2021 Spending Review, it has engaged with departments to understand the long-term impacts of COVID-19, this includes analytical working groups to develop robust and well evidenced projections.

5.6 The department will continue its key role in ensuring local authorities are supported in their role through the pandemic and will report back on this in October 2021 to the Committee.

5b: PAC recommendation: The Department and HM Treasury should ensure that their work for the next Spending Review includes full consideration of the longer-term effects of the pandemic on local government finance and the demands placed on local authorities.

5.7 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2021

5.8 The department will use historic and any future monitoring information from local authorities to inform work for the 2021 Spending Review, as well as engaging with local authorities and sector groups more widely to understand the impacts of the pandemic.

5.9 The effects of the pandemic and the pace of recovery are still emerging and uncertain, and the department will examine carefully what evidence and assumptions can be used to model the emerging long-term impact of the pandemic on local authority finances.

5.10 The department will report back to the Committee on the consideration of the longer-term effects of the pandemic following the conclusion of the 2021 Spending Review.

6: PAC conclusion: The Department has yet to address the longstanding structural issues within local government finance.

6a: PAC recommendation: The Department should write to us by October 2021 setting out its plans to ensure that:

i) local government finance is reconsidered from first principles, reformed in a measured fashion working with the sector, and ultimately new arrangements put in place that are fit for purpose and built to last; and

6.1 The government agrees with the Committee’s recommendation.

Target implementation date: Autumn 2021

6.2 The government will set out the future plan for local government funding at the 2021 Spending Review. The government has been clear that in determining a way forward, it will need to take stock of the impact the pandemic has had on both local authority resources and service pressures to determine the appropriateness of the previous proposals for local government finance reform. Equally, the government will want to ensure that local government is able to play a vital role in levelling up.

6.3 The timing of this exercise and our response to this recommendation is therefore subject to the conclusion of the upcoming 2021 Spending Review.

6b: PAC recommendation: The Department should write to us by October 2021 setting out its plans to ensure that:

ii) a stable funding environment, ideally based on a multi-year settlement, is established as a bridging mechanism while more fundamental long-term reforms are designed.

6.4 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2021

6.5 The government agrees with the Committee's recommendation, with a stable funding environment helpful in ensuring local authorities can effectively plan. How the department determines its final approach will be informed by the 2021 Spending Review, which will be an opportunity to consider local government's funding needs in the round. The department will work with local government to understand the lasting impact on both service demands and revenue raising.

6.6 Final decisions cannot be taken until after the 2021 Spending Review has concluded and the timeline for this is not yet determined. The department will write to the Committee in due course following the conclusion of the 2021 Spending Review.

7: PAC conclusion: It is unacceptable that local authorities continue to face uncertainty about the level of financial support they can expect from government on top of the other pressures and uncertainty with which they are currently required to cope.

7: PAC recommendation: HM Treasury, working with the Department and other departments as necessary, should explore ways that the government can give local authorities more financial certainty as they develop their 2022–23 spending plans and write to us with conclusions by June 2021.

7.1 The government agrees with the Committee's recommendation.

Target implementation date: End 2021

7.2 HM Treasury, MHCLG and other departments will continue to monitor the pressures that local authorities are facing as a result of the COVID-19 pandemic and recognise the importance of giving local authorities clarity on future resources to support effective financial planning. HM Treasury wrote to the Committee on 22 June 2021 on this topic.

7.3 The government intends to confirm the overall funding settlement for local government in 2022-23 at the 2021 Spending Review, and the department is hoping to give the sector as much early financial certainty as possible. The review will deliver on the government's priorities, with further details to be set out in due course.

7.4 Following the 2021 Spending Review, MHCLG will provide further details of the proposed allocation of resources to each local authority through the provisional Local Government Finance Settlement (LGFS). The LGFS will be timed to ensure that all local authorities are able to confirm their budgets ahead of the start of the 2022-23 financial year.

Fifth Report of Session 2021-22

Department for Digital, Culture, Media and Sport

COVID-19: Government Support for Charities

Introduction from the Committee

In April 2020, as part of its response to the COVID-19 pandemic, government announced a £750 million financial support package for organisations in the voluntary, community and social enterprise sector, targeted at those providing vital services to the vulnerable. Although government expected tens of thousands of charities to benefit, helping them meet increased demand for some services due to the pandemic, it did not intend to support or save every charity. The Department for Digital, Culture, Media & Sport (the department) was responsible for allocating £513 million of the total available funding, including funds distributed through itself, at least nine other government departments, three other public-sector organisations and 186 other partners. HM Treasury provided up to £200 million directly to the Department for Health & Social Care to purchase bed capacity in charitable hospices and at least £60 million was expected to be provided to the devolved nations.

The department allocated its £513 million across seven different schemes, which were rolled out between April and December 2020. Around £19 million of the £513 million was used to cover administration fees, leaving £494 million available to charities. By 7 April 2021, well over 90% of funds available had been paid out, with a further £14 million awarded to charities but not yet paid out to them. Across the seven schemes the department had allocated and paid out the following amounts:

1. the Coronavirus Community Support Fund (CCSF) via The National Lottery Community Fund (TNLCF) (£188 million paid out of £199 million allocated);
2. 21 sector-specific projects across nine government departments including the Home Office, Department for Education and the Ministry of Justice (£159 million paid out of £164 million);
3. the Community Match Challenge scheme (£82 million paid out of £85 million);
4. the National Emergencies Trust, BBC Children in Need, and Comic Relief to match donations raised through the BBC Big Night In fundraising event (£34 million paid out of £37 million);
5. the Youth COVID-19 Support Fund (£3 million paid out of £17 million);
6. the Loneliness Fund (£5 million paid out £8 million); and
7. the Voluntary and Community Sector Emergencies Partnership (£4 million paid out of £5 million).

Based on a report by the National Audit Office, the Committee took evidence on 15 April 2021 from the Department of Digital, Culture, Media and Sport. The Committee published its report on 9 June 2021. This is the government response to the Committee's report.

Relevant reports

- NAO report: Investigation into government funding to charities during the COVID-19 pandemic Session 2019-21 (HC 1236)
- PAC report: COVID-19: Government Support for Charities Session 2019-21 (HC 250)

Government response to the Committee

1: PAC conclusion: The Department has paid out over 90% of the funding it has available for charities but could not adequately explain how it had determined the total value of the package that was needed.

1: PAC recommendation: The Department should, within three months, set out the specific actions it is taking to monitor and understand the financial health and resilience of the charity sector, including how charities are making use of all applicable government pandemic support schemes.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: September 2021

1.2 The Department for Digital, Culture, Media and Sport (the department or DCMS) will be able to set out current actions being undertaken to monitor and understand the financial health and resilience of the charity sector, including use of pandemic support schemes.

1.3 At this stage, there remain limitations and gaps in the evidence and data available to maintain a complete picture of the health and resilience of the charity sector. Drawing on learning from the COVID-19 pandemic, the department is working with partners, including the Charity Commission, to undertake a project to review and improve evidence and data available to policy makers, concerning the health and resilience of the charity and social enterprise sectors.

1.4 Options under consideration include making more effective use of existing sources of data and evidence, improving existing data sources, and commissioning new data collection mechanisms to fill gaps. The department will be able to provide an update on this work at the the Committee's three-month deadline. However, plans for implementing change may not have been finalised at this point.

2: PAC conclusion: We are not convinced that the Department's decisions about how to allocate funds were sufficiently transparent.

2: PAC recommendation: When applying new or innovative processes in unusual circumstances such as those experienced during the pandemic, the Department should ensure that it keeps appropriate records of decisions, including when this incorporates advice from special advisers. The Department, as part of learning lessons for the future, should examine how the steps it took to ensure there was a clear distinction between impartial advice from civil servants and the political advice offered by special advisers. It should then write to us setting out the steps it took and the lessons it has learnt for future.

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 DCMS agrees that appropriate records of decisions, especially in relation to funding, should always be kept. In this instance, as the DCMS Permanent Secretary confirmed in a letter dated 14 May 2021 to the Committee, she was satisfied that civil servants and special advisers at all times followed the Civil Service Code and Code of Conduct for Special Advisers in the distribution of the COVID-19 Charities Funding and that the decisions on funding were made by ministers in the proper way based on appropriately recorded written submissions from civil servants to junior ministers and the Secretary of State. All such submissions and the responses from ministers are recorded in the DCMS IT system.

2.3 The same letter set out the detailed processes involved confirming the distinction between impartial advice from civil servants and the political advice offered by special advisers. The process was that, while special advisers were present at a meeting where proposed allocations were being discussed, those meetings were chaired by a civil servant at Director General level and that the bids being considered by officials for recommendation to ministers at the time of the meeting were all eventually recommended to ministers. These were the only bids recommended. No bids were added to or removed from the list of recommendations as a result of the meeting or after that for any other reason. For a small number of bids, the monetary value of the award being recommended was adjusted between the meeting and the official submissions to ministers. The decision to do so was made by DCMS civil servants who were satisfied that the recommendations were all evidence-based and value for money.

2.4 As the Committee acknowledges, the department was working at pace in exceptional circumstances and continues to reflect on all lessons learned. While DCMS is confident that proper processes and procedures were followed in this case, the department continues to remind civil servants about their duties under the Civil Service Code and Code of Conduct for Special Advisers as well as the importance of appropriate record keeping both as part of the induction programme for new staff and in regular briefings cascaded to staff across the department.

3: PAC conclusion: The Department cannot explain the additional benefit is has received from its contract with a professional services firm to perform due diligence on charity applications to The National Lottery Challenge Fund (TNLCF).

3: PAC recommendation: The Department should write to us within three months, setting out: how it judges the value for money of this contract and any lessons learned as to how and when it would apply a similar approach in future; and the fraud position across the package including how much money it has recovered.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: September 2021

3.2 As a result of the COVID-19 emergency and the need to meet tight deadlines to distribute funds safely, DCMS contracted external consultants to provide expert grant management. Consultancy services were procured in two phases and delivered under an output-based delivery model tied to key deliverables. Consultants worked alongside and under the instruction of experienced civil servants to provide operational support to the programme. Throughout both phases, weekly governance meetings were held to review scope, resourcing and progress in achieving the performance milestones and objectives set out in the contracts. PricewaterhouseCoopers have been judged to have met the relevant performance metrics at all stages.

3.3 It is difficult to determine how and when a similar approach would be applied in future given the specific national and far-reaching challenges presented to government in dealing with the COVID-19 pandemic. In line with the Cabinet Office guidance on consultancy and professional services spend controls, DCMS will continue to ensure that any proposal to engage professional services is thoroughly assessed on a case by case basis through its internal assurance process, including approval by the Commercial Director and through the Cabinet Office controls process as appropriate.

3.4 Post-event assurance on the DCMS elements of the charities' financial support package is being conducted under a contracted service and is based on a sample-testing approach. As of 20 July 2021, 88% of the cases selected for testing were complete with no confirmed indications of fraud and/or error. Enquiries are still ongoing in relation to the remaining 12%. A determination of whether there has or has not been potential irregularity in those cases will be made once the inquiry is complete. The department expects to receive the report on post-event assurance by August 2021.

4: PAC conclusion: The Department cannot demonstrate how its funding decisions have benefited charities and will not be able to do so until it completes its evaluation of the funding at the end of 2021.

4: PAC recommendation: The Department should, within three months, write to us to explain the criteria it will use to assess the impact of the funding. It should, by the end of December 2021, write to us with the outcome of the evaluation, ensuring this exercise represents charities that did not receive funding as well as those that did.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: December 2021

4.2 The main objective of the evaluation is to understand:

- whether the funding achieved its aims of ensuring essential services were provided to vulnerable people and contribute to liquidity and staffing of VCSE organisations during the COVID-19 response;
- how organisations used the grants;
- the types of organisations supported and who they worked with; and
- to draw out lessons about the way government responded to COVID-19 through its support of the Voluntary Community and Social Enterprise (VCSE) sector.

4.3 Part of this assessment will include an impact strand. The aim of this strand is to determine to what extent these funds made a difference for the recipient organisations and the end beneficiaries in receipt of the services provided by those organisations. There are several research questions that will form part of the overall assessment of the efficacy of the funding, including:

- how many organisations did the funding reach, by services delivered (for example, tackling loneliness, homelessness etc), regions, and targeted beneficiary groups?
- what value of funding did organisations receive, by different aims, regions, and targeted beneficiary groups?
- what difference has the funding made to organisations reached?
- what is the number and profile of vulnerable people reached?
- what difference did funding make to the vulnerable people reached?

4.4 The evaluator will begin with a scoping phase, consisting of developing a theory of change to help develop a framework for assessing the impact of the funding, including key hypotheses to be tested throughout the evaluation. It will also include documentary analysis, reviewing all available documents pertaining to the fund to assess the extent to which these can answer the evaluation questions. The evaluator will then move into an analytical phase during which they will gather new evidence from grant-holders, volunteers, and beneficiaries, helping to fill any evidence gaps identified in the previous phase. The evaluator will then synthesise this broad range of evidence, before producing the final report.

4.5 The £750 million package was used to enable the continuation of VCSE organisations' services during the pandemic, rather than create new programmes or services, and as such was one of several sources of funding used by organisations for this purpose. For this reason, it will not necessarily be possible to isolate or attribute all impacts specifically to the £750 million. The evaluators will focus on understanding impact via measuring the contribution the grant from the £750 million package made towards organisations achieving their outcomes and continuing their services.

4.6 Alongside this impact strand, the evaluation will also include a process strand. This will focus on what can be learned from how the intervention was delivered, such as whether the interventions were delivered as intended, and what could be improved.

4.7 Although the evaluation of the wider funding package will not be ready until December 2021, The National Lottery Community Fund published the Process Evaluation of the Coronavirus Community Support Fund (CCSF) on 5 July 2021. The evaluation found that the CCSF represented an effective route to distributing emergency response funding' and that despite DCMS and The National Lottery Community Fund (TNLCF) staff facing a challenging situation, the funding was distributed at a pace that represented a 'significant achievement'. The CCSF impact and value for money evaluation reports are due to be published at the end of summer 2021.

4.8 CCSF grant funding was distributed to every region and almost every local authority in England. Indicative regional funding allocations were identified at the outset to ensure appropriate distribution of funding by geography.

4.9 CCSF was successful in reaching the organisations it was intended to – most of the funding went to small or medium sized organisations who intended to deliver targeted support to people and communities disproportionately impacted by COVID-19.

4.10 45% of the grant holders were new to the department/not previously funded by TNLF which indicates breadth of reach.

5: PAC conclusion: The Department cannot yet demonstrate that it fully understands the financial health and resilience of the charity sector or whether further government financial support will be necessary.

5: PAC recommendation: The Department should, within three months, set out the triggers that would prompt it to consider further government financial support to the charity sector.

5.1 The government disagrees with the Committee's recommendation.

5.2 There is no single data source that can provide a definitive trigger for taking a decision on further financial support. The circumstances under which further support would be assessed must be based on a range of quantitative and qualitative sources, including intelligence on challenges facing critical sub-sectors.

5.3 However, the department will set out for the Committee the range of evidence, data and intelligence under which support to the sector, including financial support, will be assessed.

Sixth Report of Session 2021–22

HM Treasury

Public Sector Pensions

Introduction from the Committee

Around 25% of pensioners and 16% of the working-age population are members of one of the four largest public service pension schemes (the armed forces, civil service, NHS and teachers' pension schemes). In 2019–20 the four schemes made pension payments of £33.5 billion—funded through around £8.2 billion of employee contributions and around £25.4 billion of taxpayer funding—with scheme members on average receiving around £10,000. HM Treasury has been concerned for some time about the rising cost of public service pensions to the taxpayer and it introduced reforms between 2011 and 2015 aimed at making them more sustainable and affordable. As a result of those reforms, the most recent forecasts show that costs are expected to fall over the long-term from 2.0% of GDP in 2019–20, to around 1.5% of GDP from 2064–65. In December 2018 the Court of Appeal ruled that parts of the reforms were unlawful (the 'McCloud judgment') – as the special protections offered to those closest to retirement were found to be discriminatory on the basis of age.

Based on a report by the National Audit Office, the Committee took evidence on 22 April from HM Treasury and the Government Actuary's Department. The Committee published its report on 11 June. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Public Service Pensions – Session 2019-21 (HC 1242)
- PAC report: Public Sector Pensions – Session 2021-22 (HC 289)

Government response to the Committee

1: PAC conclusion: HM Treasury focuses on affordability to the taxpayer, but this is often at the expense of its other objectives.

1: PAC recommendation: ***HM Treasury should set out explicitly in its Treasury Minute response how it makes trade-offs between its objectives for public service pensions, for example, when evaluating proposals for additional flexibilities in the public service pension system.***

1.1 The government agrees with the Committee's recommendation.

Recommendation implemented

1.2 The government believes that the public service pension reforms introduced in 2015 meet the objectives for public service pensions set out in the 2011 white paper Public service pensions: Good pensions that last and is now focusing on completing implementation of these reforms by transferring remaining members into the reformed schemes from 2022 through the Public Service Pensions and Judicial Offices Bill 2021.

1.3 Departments are responsible for assessing where the reformed public service schemes introduced in 2015 require further changes to meet specific workforce needs. When any changes are proposed to HM Treasury, they are assessed against legal and fiscal implications, including the potential for any consequential impacts on other public service pension schemes.

1.4 For example, additional flexibility in pension savings for public sector workers can create significant upfront costs for the taxpayer. This is because, with the exception of the Local Government Pension Scheme, the main public service pension schemes are unfunded, meaning that flexibilities which reduced member pension contributions with no change to pensions paid out to retired members would increase borrowing in the short-to-medium term.

1.5 Where departments have provided strong evidence that pension arrangements have directly contributed towards recruitment and retention concerns, further flexibilities have been agreed. For example, the government is bringing forward legislation to establish a new judicial pension scheme to tackle recruitment and retention issues among judges. The government has also used other levers as needed to address concerns. For example, at Budget 2020 the Chancellor of the Exchequer announced a package of pension tax measures to address service delivery issues within the NHS.

2: PAC conclusion: It is becoming clear that public service pension policy is affecting the delivery of frontline services in some areas, such as education and health.

2: PAC recommendation: HM Treasury should regularly set out the likely impact on employers' budgets of employer contribution rate changes in advance of their implementation. By giving employers plenty of notice and offering wider support, it can help minimising the impact on frontline services. HM Treasury should also consult widely on the SCAPE discount rate and its methodology, well in advance of any changes.

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 Employer contribution rates for public service pension schemes are determined at valuations which are held every four years. Valuations are a complex process which take several years to complete and are carried out by individual departments with scheme advisers from the Government Actuary's Department (GAD), in accordance with Treasury directions. Valuations as at March 2020 are currently underway.

2.3 Throughout the valuation process, HM Treasury, schemes and GAD work together through cross-Government channels to discuss the valuation timetable and any necessary changes to valuation assumptions in a timely manner, and to understand the potential impact of changes to determinants such as the discount rate on employer contribution rates.

2.4 Valuation outcomes depend on several factors and vary by scheme, meaning that any estimate of impacts will remain uncertain until valuations are formally completed at scheme level. This process is typically completed well in advance of new contribution rates being implemented.

2.5 Where factors in the valuation process have changed shortly before valuation outcomes are implemented (such as the change to the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate announced in 2018), HM Treasury has provided additional funding to departments to ensure that unforeseen costs do not jeopardise the delivery of front-line services.

2.6 The government is consulting on the methodology used to set the SCAPE discount rate. Following this, the government will carry out a separate exercise to set a new SCAPE discount rate, which will impact new employer contribution rates implemented in April 2024.

2.7 To mitigate the risk of changes to the SCAPE discount rate at a late stage in the valuation cycle, the consultation proposes to align future reviews of the SCAPE discount rate with the valuation cycle.

3: PAC conclusion: HM Treasury has not done enough to ensure people understand the value of their pensions.

3: PAC recommendation: HM Treasury should lead from the centre, and seek to understand members' views regarding their pensions, including the reasons why people may opt out of a scheme and whether this has a long-term impact on other parts of public services and expenditure. It should undertake a review into the take-up and retention of public pensions, particularly amongst young professionals, to help understand the issues employers face when trying to demonstrate the value of pensions. Such a review should identify areas where communication is working well and recommend best practice for employers.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: March 2022

3.2 Participation in the main public service pension schemes are very high. For example, less than 1% of the active Civil Service population has currently opted out of the Civil Service Pension Scheme.

3.3 Data on participation rates in public service pension schemes are collected and held at scheme level and shared with HM Treasury. This is appropriate given that departments are responsible for schemes and controlling membership data. If participation rates change significantly, departments are expected to raise this with HM Treasury and implement appropriate mitigation measures. For example, some departments have implemented exit surveys to understand why employees have opted-out of their pension scheme.

3.4 HM Treasury will commission departments for analysis of latest participation data and will work with departments to standardise data collection, including whether data can be broken down by member characteristics. HM Treasury will also ask departments to provide an update on the measures being taken to improve participation among specific groups, which will be used to inform ongoing work by HM Treasury and departments to promote the value of public service pensions among employees. Departments should also continue to provide HM Treasury with participation data on a regular basis for monitoring purposes.

3.5 Public service pension schemes provide members with generous benefits in retirement. As participation rates in these schemes remain high, HM Treasury does not believe that participation levels will have a significant impact on wider public expenditure. However, HM Treasury will keep this under review.

4: PAC conclusion: ***HM Treasury has done little to identify and manage the stark differences in average pensions between genders and other groups.***

4: PAC recommendation: ***HM Treasury should be proactive in collecting and analysing data to identify where significant gaps in average pensions exist between different groups. This analysis should inform a wider study on the adequacy of public service pensions, and to understand the impact of differences in pay and working patterns.***

4.1 The government disagrees with the Committee's recommendation.

4.2 Differences in public service pensions between different groups are a function of past differences in earnings over members' careers rather than differences in pension provision itself.

4.3 The government agrees on the importance of collecting and analysing data of the drivers of differences in pensions savings between members of different groups. The government has made reporting of the gender pay gap mandatory for all public sector employers, and gender and ethnicity data for respective workforces are included in reports published by independent pay review bodies. Office for National Statistics (ONS) statistics show that the median gender pay gap among full-time employees is lower in the public sector (11.2%) compared to the private sector (14.1%).

4.4 The focus on drivers is supported by practical challenges to collecting data on pensions savings according to other protected characteristics. Data on members' pensions savings are held by scheme administrators for the purpose of paying out pensions and carrying out scheme valuations. Data on protected characteristics, apart from age and gender, are not relevant for these purposes and so are not currently collected by schemes. Schemes may continue to explore options to collect pensions savings data according to other protected characteristics within data regulations.

4.5 Differences in pension savings related to different rates of participation in public service pension schemes are addressed in the response to Recommendation 3.

4.6 As well as providing a better indication of the reasons for differences in pensions savings, the focus on differences in earnings is supported by the fact that these can more readily be addressed by government, for example, through pay gap reporting and targeted career programmes to support equal career opportunities. In contrast, it would not be appropriate for the government to review retrospectively accrued pension rights where these rights were accrued according to the rules of the scheme.

5: PAC conclusion: HM Treasury has had to revisit key elements of the reforms, and these issues may take decades to resolve fully.

5: PAC recommendation: HM Treasury must prioritise work to quickly resolve the challenges presented by the McCloud judgment and cost control mechanism, in order to give certainty to scheme members and employers, and rebuild the trust lost through these issues. The Department should write to us with an update in six months' time.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: February 2022

5.2 The government committed to legislate as soon as practicable to remedy the discrimination identified by the Court of Appeal in the McCloud judgment in its consultation Public service pensions: Changes to the transitional arrangements to the 2015 schemes. Subsequently, the Public Service Pensions and Judicial Offices Bill was introduced in the House of Lords on 19 July 2021.

5.3 For active and deferred members, the Bill introduces the 'deferred choice underpin' as set out in the government's consultation response. Under this approach, members can make their choice over which set of benefits to have earned during the remedy period at retirement, when they will have a greater certainty over which option is most advantageous for them. This means the impact of the McCloud judgment on affected individuals will be resolved as they reach retirement. This approach was strongly supported at consultation.

5.4 HM Treasury is setting out in amending Directions the detail of how the cost control element of the 2016 valuations will be completed. These will be published following engagement with stakeholders before schemes then finalise results. The government announced in February 2021 that any ceiling breaches that occur at the 2016 valuations will be waived, as it would be inappropriate to reduce benefit levels based on a mechanism that is not working as intended. However, any benefit increases due as a result of any floor breaches will be delivered. Once results are finalised, schemes will commence discussions with Scheme Advisory Boards on how to rectify any floor breaches that occur.

5.5 The government has also recently launched a consultation on changes to the cost control mechanism following the Government Actuary's review of the mechanism published in June 2021. Any changes it takes forward following consultation will be implemented ahead of the completion of 2020 valuations.

5.6 The government will write to the Committee with an update on both areas of work in six months.

6: PAC conclusion: HM Treasury has not yet performed an evaluation of its reforms and we are not convinced it is on track to meet its objectives.

6: PAC recommendation: HM Treasury should perform an interim evaluation of its 2011–2015 reforms to ensure it is on track to meet each of its objectives, taking account of whether pensions are working for employers, employees and other taxpayers. It should write to the Committee with an update of this evaluation by the end of the year.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: End 2021

6.2 HM Treasury will write to the Committee with an assessment of how it is meeting its objectives for public service pensions.

6.3 Given the long-term nature of pensions, these are still relatively recent reforms; a significant number of public sector employees continue to accrue benefits under legacy pension schemes and a large proportion of pension payments in the next decade will be for pensions already in payment.

6.4 The government notes that it is still in the course of implementing the 2011-2015 reforms by remedying the discrimination identified by the McCloud and Sargeant judgments and transferring remaining members into reformed schemes. This will be implemented through the Public Service Pensions and Judicial Offices Bill 2021.

6.5 For these reasons, any assessment at this time will necessarily be limited until the reforms have been fully implemented and embedded in the public service pensions system.

Treasury Minutes Archive[1]

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

Session 2021-22

Committee Recommendations: 33
Recommendations agreed: 30 (90%)
Recommendations disagreed: 3

Publication Date	PAC Reports	Ref Number
August 2021	Government response to PAC reports 1-6	CP 510

Session 2019-21

Committee Recommendations: 233
Recommendations agreed: 208 (89%)
Recommendations disagreed: 25

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
June 2021	Government responses to PAC reports 52-56	CP 456

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

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

January 2018	Government responses to PAC reports 2 and 3	Cm 9565
March 2018	Government responses to PAC reports 4-11	Cm 9575
March 2018	Government responses to PAC reports 12-19	Cm 9596
May 2018	Government responses to PAC reports 20-30	Cm 9618
June 2018	Government responses to PAC reports 31-37	Cm 9643
July 2018	Government responses to PAC reports 38-42	Cm 9667
October 2018	Government responses to PAC reports 43-58	Cm 9702
December 2018	Government responses to PAC reports 59-63	Cm 9740
January 2019	Government responses to PAC reports 64-68	CP 18
March 2019	Government responses to PAC reports 69-71	CP 56
April 2019	Government responses to PAC reports 72-77	CP 79
May 2019	Government responses to PAC reports 78-81 and 83-85	CP 97
June 2019	Government responses to PAC reports 82, 86-92	CP 113
July 2019	Government responses to PAC reports 93-94 and 96-98	CP 151
October 2019	Government responses to PAC reports 95, 99-111	CP 176
January 2020	Government response to PAC reports 112-119 [1 and 2]	CP 210

Session 2016-17

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

Publication Date	PAC Reports	Ref Number
November 2016	Government responses to PAC reports 1-13	Cm 9351
December 2016	Government responses to PAC reports 14-21	Cm 9389
February 2017	Government responses to PAC reports 22-25 and 28	Cm 9413
March 2017	Government responses to PAC reports 26-27 and 29-34	Cm 9429
March 2017	Government responses to PAC reports 35-41	Cm 9433
October 2017	Government responses to PAC reports 42-44 and 46-64	Cm 9505

Session 2015-16

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

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

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
May 2021	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 4 PAC reports Session 2017-19: updates on 47 PAC reports Session 2019: updates on 2 PAC reports Session 2019-21: updates on 28 PAC reports	CP 424
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	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	CP 70
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
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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