HM Treasury

Treasury Minutes

Government response to the Committee of Public Accounts on the Twelfth and Seventeenth to the Twenty-First reports from Session 2021-22

CP 583 December 2021

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

December 2021

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

Twelfth Report of Session 2021-22

HM Treasury

COVID 19: Cost Tracker Update

Introduction from the Committee

Shortly after the World Health Organisation declared COVID-19 to be a pandemic on 11 March 2020, government began announcing a series of measures to support public services, workers and businesses. The National Audit Office (NAO) has been collecting and publishing information on the government's COVID-19 response measures—the COVID-19 cost tracker—first published in September 2020 and updated in January 2021 and May 2021. The cost tracker presents the range of government measures (categorised by lead department and the nature of the measure), the estimated lifetime cost for implementing the measure, and how much has been spent to date. In May 2021, the cost tracker revealed that the total cost of government's measures was estimated to be £372 billion, with £172 billion reported spent. The total value of loans guaranteed by government was estimated to be £92 billion, and the write-off costs associated with loan schemes was estimated to be £26 billion. The cost tracker does not capture every aspect and consequence of government's actions, which potentially underplays the true cost of the response. To make decisions and disburse funding more quickly, government relaxed the usual rules over the management of public money and took on significant financial risks, which government may have to manage for many years and which will have implications for future spending decisions.

Based on the National Audit Office's COVID-19 cost tracker, the Committee took evidence on Thursday, 27 May 2021 from HM Treasury. The Committee published its report on 25 July 2021. This is the government's response to the Committee's report.

Relevant reports

- NAO COVID-19 cost tracker
- PAC report: COVID-19 cost tracker update – Session 2021-22 (HC 173)

Government response to the Committee

1: PAC conclusion: The NAO's COVID-19 cost tracker shows the importance and value of capturing, sharing and presenting timely data on government's actions and costs during a crisis.

1a: PAC recommendation: HM Treasury should develop a closer partnership with the NAO to produce the next, and future, updates to the cost tracker, through sharing its COVID/non-COVID categorised data, and the reconciliation to its own data.

1.1 The government agrees with the Committee's recommendation.

Recommendation implemented

1.2 HM Treasury has worked closely with the National Audit Office (NAO) to support the publication of each version of the COVID-19 cost tracker and has shared information to help them identify new COVID-19-related measures. HM Treasury teams work closely with departments to assist their returns to the NAO and to reconcile these to internal HM Treasury data.

1.3 HM Treasury continues to develop closer partnerships with the NAO to produce cost tracker updates, including through regular meetings during and after the planning and project phases.

1b: PAC recommendation: By the end of the year, the Government should write to us and explain how it will monitor the costs of other large cross-government programmes that would benefit from an approach similar to the cost tracker, for example, the drive to achieve net-zero greenhouse emissions, and the ongoing costs of EU exit.

1.4 The government agrees with the Committee's recommendation.

Target implementation date: Winter 2021

1.5 HM Treasury will write to the Committee by the end of the year detailing the structures it uses to monitor the costs of other large cross-government programmes, including through Government Major Projects Portfolio managed by the Infrastructure & Projects Authority.

2: PAC conclusion: The value of the cost tracker is lessened by poor data from some government departments and functions.

2: PAC recommendation: To support the next iteration of the cost tracker, and in advance of the autumn Spending Review, HM Treasury should continue working with departments to develop robust methodologies for identifying and capturing the full cost of COVID-19, including economic impacts and the extent of displaced activity, to have a clear basis for future fiscal decisions and recovery plans.

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 HM Treasury has continued to work closely with departments to develop robust methodologies for identifying and capturing the cost of COVID-19 in support of the latest publication of the cost tracker. The quality of the data has improved in the September 2021 update following this continued collaboration.

2.3 The government set out its spending plans and choices up to 2024-25 in the Autumn Budget and Spending Review 2021 document. This included a comprehensive recovery plan. As part of the Spending Review 2021 process, departments provided HM Treasury with information on costings of interventions to support the response to, and recovery from, the COVID-19 pandemic, including an assessment of the strategic, economic, commercial, financial and management cases for investment through supporting business cases. This process prioritised building back better from COVID-19 by investing in public services, jobs and growth, and the transition to Net Zero. This included providing funding for services most affected by COVID-19 – such as the health and education systems – to continue to respond to the impacts of the virus.

3: PAC conclusion: The COVID-19 response means government will be exposed to significant financial risks for decades to come.

3: PAC recommendation: HM Treasury should develop a single cross-government framework for monitoring and managing the risks to public finances stemming from government's COVID-19 response. HM Treasury should then explain in the autumn Spending Review how it plans to manage these risks and any fiscal trade-offs that will need to be made.

3.1 The government agrees with the Committee's recommendation.

Recommendation implemented

3.2 The government is already committed to active management of fiscal risks, including risks stemming from its COVID-19 response. HM Treasury surveys these from the centre of government, including through its Fiscal Risks Group (FRG), which reviews the most important fiscal risks and actions being taken to manage them. The FRG sits alongside groups responsible for the oversight and management of risks to the economy, tax, and spending. HM Treasury works directly with other government departments to assess risks to the public finances, in line with the principles set out in HM Treasury's Orange Book.

3.3 Since 2016, the government has asked the Office for Budget Responsibility (OBR) to publish a fiscal risks statement to improve disclosure and management of fiscal risks. The statement draws on contributions from government and other stakeholders, and has been recognised by the International Monetary Fund and Organisation for Economic Cooperation and Development as one of the most comprehensive of its kind. The 2021 Fiscal Risks Report included a chapter on risks stemming from COVID-19; the government is committed to respond within 12 months.

3.4 The government set out its spending plans and choices up to 2024-25 in the Autumn Budget and Spending Review 2021 document. The pandemic has highlighted the importance of ensuring the right capability is in place to manage contingent liabilities in the public sector. The last 12 months have seen the launch of the Contingent Liabilities Approvals Framework and Contingent Liabilities Central Capability and they will provide tools to mitigate and manage contingent liabilities risks before they arise.

4: PAC conclusion: Achieving value for money from government expenditure during COVID-19 is being compromised by poor quality impact assessments and Accounting Officer assessments.

4a: PAC recommendation: HM Treasury should report back to this Committee by the end of 2021 on its progress improving the quality of impact assessments and Accounting Officer assessments, and its roll out of training on Managing public money, so that proper emphasis on achieving value for money is restored.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: December 2021

4.2 The fundamental principles and the accountability framework set out in Managing Public Money have proved enduring through the pandemic. However, HM Treasury recognises that accounting officers would benefit from more detailed guidance in specific areas. This includes when circumstances merit departments assuming a greater level of risk appetite than they would in usual conditions and clarifying respective roles where more than one department is involved in the design and delivery of a service. These areas will be covered in more detail in updated accounting officer assessment guidance, to be published by the end of the year. The department will write to the Committee when this updated guidance is available.

4.3 In addition, the department will continue to publicise these requirements through seminars and training events, including emphasising the importance of the accounting officer assessment process as part of the induction training delivered to all new accounting officers. These actions should ensure the requirements are well understood across central government.

4b: PAC recommendation: HM Treasury should review major COVID-related spending decisions to identify cases where decisions made during the pandemic have resulted in poor value for money. It should report its findings back to this Committee by the end of 2021, and use the lessons learnt to produce guidance to minimise the risk of this happening in the future.

4.4 The government disagrees with the Committee's recommendation.

4.5 Whilst the government agrees with the Committee's recommendation that lessons learnt from the experience of the pandemic should inform the approach in future, and similar situations, it believes that maintaining a proper division of roles between Accounting Officers, HM Treasury, and the National Audit Office is the best way to do so. That division is founded on HM Treasury setting the framework in which Accounting Officers make *ex ante* judgements on the value for money of spending, but having the independent National Audit Office – which is not involved in any way in the decisions themselves – undertake *ex post* assessments of the value for money realised in practice.

4.6 The COVID-19 pandemic has been a health emergency that has demanded a response without precedent, particularly in terms of speed and scale. As a result, HM Treasury has used the spending control framework more flexibly than it otherwise would have done. The basis on which an accounting officer made decisions did not change – at all times they needed to be satisfied that a decision met the standards set out in Managing Public Money – but those decisions had to be made amidst unusually high levels of uncertainty.

4.7 The National Audit Office has already undertaken a number of studies on the value for money of particular COVID-19 expenditure, including test and trace and local government finance, and has plans in place to undertake further studies, including the roll-out of the COVID-19 vaccine. The government looks forward to the conclusions of those further individual studies on lessons to be learned, and to any overall assessment the NAO may choose to make on the spending undertaken in the pandemic response.

4.8 Meanwhile HM Treasury has been considering carefully the lessons learnt from the pandemic for the spending framework, so that we can face a future crisis better prepared to respond whilst ensuring value for money. The previous Chief Secretary to the Treasury (CST) wrote to the Chair of the Treasury Select Committee in April 2021 reviewing the performance of the framework as it was applied to major COVID-19 related spending decisions, and reflecting on how the government can face future crises even better prepared. In addition, the government's response to the recommendations of the Boardman review into COVID-19 pandemic procurement will consider how government may minimise the value for money risks relevant to future crises.

4.9 HM Treasury will write to the Committee alongside this Treasury Minute to share its initial reflections on the lessons learnt.

5: PAC conclusion: The total value of government-backed loans has increased greatly during the pandemic.

5: PAC recommendation: Through the autumn Spending Review, HM Treasury should set out how it is managing the significant expansion of the value of government loan guarantees and the associated risk of write-offs, and the steps being taking to reclaim the taxpayer's investment.

5.1 The government agrees with the Committee's recommendation.

Recommendation implemented

5.2 HM Treasury has provided the resources for the British Business Bank (BBB) to deliver the ongoing administration of the government loan schemes and manage the associated risks to the taxpayer. Spending Review 2021 provides funding for the operating expenditure of the COVID-19 schemes, such as the running costs of the operations centre, developing the BBB's financial crime capability and delivering the COVID-19 schemes audit and assurance programme. It additionally provides funding for BBB's programme to transform its Data, IT, Outsourcing and Risk functions, which are critical to mitigating the risks linked to the COVID-19 schemes. This is on top of the funding provided to the Department of Business, Energy and Industrial Strategy at Spring Budget 2021 and Spending Review 2021 to support counter fraud and strengthen enforcement for Bounce Back Loans. Further details on the loan schemes will be published in the Department of Business, Energy and Industrial Strategy's annual report and accounts.

5.3 The government is also working closely with lenders to monitor and manage the government guaranteed loan scheme portfolios. Lenders are responsible for the recovery of these loans in line with the standards and legal obligations set out under the scheme. Lenders' performance of their obligations is subject to a robust audit programme overseen by the British Business Bank. If lenders do not meet their obligations, the government has the right not pay out on any guarantee claims in scope.

6: PAC conclusion: it will become increasingly important to distinguish between spending that is aimed at economic and societal recovery from COVID-19, from spending in direct response to COVID-19.

6: PAC recommendation: Government should, through the autumn Spending Review, set out a fully costed plan for recovering from the COVID-19 pandemic and returning to 'business as usual'

6.1 The government agrees with the Committee's recommendation.

Recommendation implemented

6.2 The government set out its spending plans and choices up to 2024-25 in the Autumn Budget and Spending Review 2021 document. These plans prioritise building back better from the COVID-19 pandemic, including by investing in public services, levelling up, and leading the transition to net zero.

6.3 HM Treasury has not set a COVID-19 policy ringfence for funding provided at Spending Review 2021 because most of the ongoing COVID-19 costs now form part of departments' ongoing activities or may be indirect impacts of COVID-19, making it difficult to distinguish them from departments' core costs so it is optimal to manage these together.

6.4 However, it has provided funding for the recovery from the pandemic, such as committing £9.6 billion across the Spending Review 2021 period for Covid-19 health related spending including for vaccines and potential boosters; more than £8 billion to tackle the elective backlog in the NHS; a further £1.8 billion to support education recovery; £225 million to fund the criminal justice system's recovery from COVID-19; and an additional £1.6 billion of grant funding for local authorities in each of the next three years to meet pressures in social care and other services, which is on top of the £5.4 billion funding announced in September to implement the social care reform over the three-year Spending Review 2021 period.

6.5 Spending Review 2021 also provides funding to strengthen local government delivery. This includes additional funding to support councils improve their cyber security, and funding to strengthen the sector's procurement and commercial capacity, alongside funding to establish the Audit Reporting and Governance Authority (ARGA) as the new local audit systems leader.

Seventeenth Report of Session 2021-22

Department for Transport

HS2 Summer 2021

Introduction from the Committee

The High Speed 2 programme aims to build a new high-speed, high-capacity railway between London, the West Midlands and the north of England. The programme is split into several phases: Phase One (London to the West Midlands); Phase 2a (West Midlands to Crewe); and Phase 2b (Crewe to Manchester and the West Midlands to Leeds). The programme had an original budget of £55.7 billion (2015 prices). Following cost increases and schedule delays, the Government announced an independent review of the programme in August 2019, which was published in February 2020. The programme's funding was reset in 2020 and is now expected to cost a total of between £72 billion and £98 billion (2019 prices). The Phase One budget is £44.6 billion including almost £10 billion of contingency (2019 prices). HS2 Ltd plans for civil construction of Phase One to finish in 2025, with initial Phase One services (Old Oak Common to Birmingham Curzon Street) starting between 2029 and 2033.

The Department for Transport (the Department) funds and sponsors the programme and HS2 Ltd, an arm's-length body of the Department, is responsible for developing, building and maintaining the railway. The programme is at an important stage of its development: Phase One has entered a stage of substantial construction; Phase 2a has received approval for construction by Parliament; and the Department is assessing how to best integrate Phase 2b with wider transport plans in the region.

We have previously examined the High Speed 2 programme on three occasions. In our most recent report in May 2020, we found that the programme was estimated to cost substantially more than the original budget. We were concerned public confidence in the programme had been undermined and stipulated greater levels of transparency would be required in the future. We were unconvinced that the Department and HS2 Ltd had the right skills and capability in place and were concerned about the uncertainties of Euston station. This report considers what progress has been made to address these concerns.

Based on a report by the National Audit Office, the Committee took evidence from the Independent Construction Commissioner, the National Infrastructure Commission and the West Midlands Combined Transport Authority on 21 June 2021, and the Department for Transport (the department) and High Speed Two Limited (HS2 Ltd) on 24 June 2021. The Committee published its report on 22 September 2021. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Progress in implementing National Audit Office recommendations: High Speed Two – Session 2021-22 (HC 292)
- PAC report: HS2 Summer 2021 – Session 2021-22 (HC 329)

Government response to the Committee

1: PAC conclusion: While it is encouraging that the civil construction elements of Phase One seem to be on a firmer footing, the scale of the work that still needs to be done means future costs remain uncertain.

1: PAC recommendation: The Department and HS2 Ltd should set out as part of its future 6-monthly reporting to Parliament, a more comprehensive view on risk to the Phase One cost estimate and the use of contingency. The reporting of costs should be consistent over time and include, preferably in tabular format, areas such as:

- ***how much Phase One contingency has been used/remaining (£) and the proportion of contingency used/remaining (%). This should be included for: HS2 Ltd contingency (A); government-retained contingency (B); and, the total Phase One contingency (A+B);***
- ***details of the cost pressures, including the value (£) of those that HS2 Ltd has confirmed and accepted, and those that HS2 Ltd is assessing as potential and not yet confirmed;***
- ***a clear indication of whether cost pressures have increased, decreased or remained stable since the preceding 6-monthly report; and,***
- ***progress being made on the cost efficiencies programme, with a supporting narrative.***

1.1 The government agrees with the Committee's recommendation.

Recommendation implemented

1.2 In line with the Committee's recommendation, the third High Speed 2 (HS2) 6-monthly report to Parliament confirms details of cost pressures. Use of contingency over time is included in tabular form with an accompanying narrative. The report also includes narrative to support progress being made on the cost efficiencies programme. Future 6-monthly reports to Parliament will be consistent with this format.

2: PAC conclusion: The Department has made little progress on the design and delivery at Euston since we last reported, and we remain concerned that time is running out.

2: PAC recommendation: The Department should set out in its next 6-monthly report to Parliament:

- ***the decisions that it has made about Euston;***
- ***details of the assurances it has undertaken;***
- ***its timeline on when remaining decision points will be met; and,***
- ***any impact on the Euston opening range of 2031 to 2036***

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 In the third HS2 6-monthly report to Parliament, the department sets out the decision to move to a smaller, simpler 10-platform design (instead of an 11-platform, 2-stage build), which can be built in a single stage and still support the full operation of the HS2 network. Moving to this revised HS2 Euston station design maintains core infrastructure capacity to run 17 trains per hour, as set out in the Phase One full business case.

2.3 The updated station design is in development and will be assured as it progresses.

2.4 The department is continuing to explore opportunities for greater integration between the HS2 and Network Rail stations through The Euston Partnership and to optimise the oversite development above the Euston terminus. Further details will be provided in the next 6-monthly report to Parliament.

2.5 Further to the publication of the third HS2 six-monthly report to Parliament in October, funding was approved in the Spending Review in November to support greater integration between the HS2 and Network Rail stations at Euston. HS2 Ltd and Network Rail, with support from The Euston Partnership, are working together to develop a design that optimises integration between the HS2 station and the redevelopment of the Network Rail station concourse area. This integrated approach has the potential to deliver construction efficiencies, along with significant passenger and place-making benefits at Euston.

2.6 The range for initial opening of services from Euston remains 2031-2036.

3: PAC conclusion: HS2 Ltd has started planning how it will integrate its systems for Phase One to ensure the railway works, but this is an inherently risky part of the programme.

3a: PAC recommendation: HS2 Ltd must continue to monitor and report on both progress and the time allocated to systems integration as part of the regular 6-monthly updates to Parliament, and inform the Committee promptly if the time allocated to these latter stages is at risk of being squeezed.

3.1 The government agrees with the Committee’s recommendation.

Recommendation implemented

3.2 The third HS2 6 monthly report to Parliament highlighted that the procurements for the remaining 14 rail systems packages are successfully underway and will continue over the next two years.

3.3 The department will continue to provide regular systems updates in future 6-monthly reports to Parliament.

3b: PAC recommendation: When it has announced the winner of its competition for the rolling stock contract, HS2 Ltd should write to the Committee to explain how the design and delivery of the train will support the integration of the systems required to operate the railway.

3.4. The government agrees with the Committee’s recommendation.

Target implementation date: Summer 2022

3.5 After the rolling stock contract for Phases One and 2a is awarded, the supplier will begin work with HS2 Ltd and West Coast Partner Development on refining the rolling stock design and integration with other elements of the programme. When the detailed design is underway, the department will write to the Committee updating them on how the design and delivery of the train will support the integration of the systems required to operate the railway.

4: PAC conclusion: We are increasingly concerned that the Department and HS2 Ltd do not yet know how they will turn the benefits promised from High Speed 2 into a reality, including what additional investments will be needed or how these will be funded.

4: PAC recommendation: The Department and HS2 Ltd should write to the Committee within three months, describing their strategy to identify, monitor and evaluate the benefits of the programme. The Committee will monitor what progress has been made against this when we next revisit High Speed

4.1 The government agrees with the Committee's recommendation.

Recommendation implemented

4.2 The department wrote to the Committee in November 2021 setting out its benefits approach for the HS2 programme and stated that they are committed to maximising benefits and minimising negative impacts. This includes maximising positive outcomes; from increasing rail capacity and connectivity to reducing carbon emissions and delivering on jobs and skills, but also mitigating disbenefits including road disruption during construction.

4.3 HS2 Ltd will publish, and share with stakeholders, its first bi-annual Benefits Update. This publication will build on the data shared in the third HS2 6-monthly report to Parliament and highlight through case studies the strong work being undertaken on benefits.

4.4 HS2 Ltd has a strategy to identify, monitor and evaluate the core benefits funded and within scope of the programme and has implemented 'Benefits Baselines' for each of its phases, linked to the strategic and economic objectives in the relevant business cases. The department and HS2 Ltd are working towards the publication of a joint Benefits Management and Evaluation Strategy next year. In addition to the benefits directly arising from the work on the programme the department is focused on maximising wider benefits catalysed by HS2. The department is working with other government departments as their support and collaboration is needed to unlock these opportunities, via regular engagement and through appropriate governance.

4.5 HS2 offers a major opportunity to catalyse local regeneration, supporting the government's Levelling-up agenda. A devolved approach has been taken to regeneration at HS2 station places, with local government leading and central government in support. The department is working closely with the Department for Levelling Up, Housing and Communities, to determine how central government can help local places make the most of HS2.

5: PAC conclusion: The Department and HS2 Ltd are not adequately engaging with the Department for Education to secure the skills required for the future of the programme and training the next generation of skilled workers.

5: PAC recommendation: The Department must proactively engage with the Department for Education and other relevant education providers to ensure there are plans in place for further education colleges to get the through-flow required for the programme. The Department should write to us to explain how it is engaging with these stakeholders within three months.

5.1 The government agrees with the Committee's recommendation.

Recommendation implemented

5.2 The department wrote to the Committee in November 2021 setting out how it is engaging with the Department for Education (DfE) and other relevant education providers.

5.3 HS2 Ltd has had a team focusing on this from early on in the programme and in 2018 published a HS2 Skills, Employment and Education strategy. This strategy seeks to ensure that the programme has the people with the skills needed and will leave a skills legacy. More recently, the Building the Skills to Deliver HS2 report was published by HS2 Ltd and sets out what skills interventions are already in place and how this work has been refocused in light of the start of main works construction and the pandemic.

5.4 The department worked closely with HS2 Ltd and the Education and Skills Funding Agency (ESFA, which is responsible for funding education and skills for children, young people and adults) to support the recent merger between the University of Birmingham and National College for Advanced Transport and Infrastructure (NCATI). Ofsted's latest monitoring inspection of NCATI had judged the college to be making significant progress and the department will work with the college and the ESFA to continue to build on this.

5.5 Alongside NCATI there are several Further Education (FE) providers along the HS2 route that provide relevant courses and training and the department engages with ESFA regarding this provision as well. These and other FE providers across the country will support not just the delivery of HS2 but also infrastructure projects across the country. The department will continue to work closely with the ESFA to identify any challenges to provision, to support the HS2 programme and the department's wider infrastructure programme.

6: PAC conclusion: We are already concerned about the volume of complaints on disruption from the programme which does not bode well for the future as more communities will be impacted as construction progresses.

6: PAC recommendation: The Department and HS2 Ltd should write to the Committee within three months setting out how they intend to resolve the issues around community engagement and the environment observed by the Committee in this report.

6.1 The government agrees with the Committee's recommendation.

Recommendation implemented

6.2 The department wrote to the Committee in November 2021 detailing its current efforts to resolve issues around community engagement and the environment.

6.3 Substantial improvements have already been made with regard to community engagement and complaints management. HS2 Ltd has observed a steady decline in the level of complaints received, from a highpoint of 268 in February 2021 to 123 in September 2021. Similarly, HS2 Helpdesk enquiries have declined from 15,598 in the first quarter of 2021 to 10,993 in the third quarter. This reduction has taken place in the context of increased construction activity throughout 2021, and may be attributed to new measures introduced by HS2 Ltd since the second HS2 6-monthly report to Parliament in March 2021.

6.4 For complex and/or technical issues, the department has established a small team of construction inspectors to provide an expert and objective perspective. The construction inspectors report to the HS2 Minister and the HS2 Senior Responsible Owner and support the assurance of the delivery of works along the route. They carry out routine site inspections and are additionally deployed to examine issues of local concern and provide an independent view for the department.

6.5 With the new measures already underway to improve HS2 Ltd's approach to community engagement and with the right culture of respect and continuous improvement, the department is confident that HS2 can be an exemplar in how individuals and communities are treated when large infrastructure projects cause disruption to people's lives.

6.6 Further information on the steps being taken to minimise and compensate for any adverse environmental impacts are to be published in in HS2 Ltd's first Environmental Sustainability Progress Report. This report will provide a clear and up to date account of HS2's environmental impacts and the important work that is being done to minimise and compensate for any adverse environmental impacts. Alongside this, HS2 Ltd plans to publish a refreshed environmental sustainability vision, setting out the future ambition for how the project will further support the government's decarbonisation and nature recovery objectives.

Eighteenth Report of Session 2021-22

Cabinet Office and HM Treasury

Government's delivery through arm's-length bodies

Introduction from the Committee

Government relies on ALBs to carry out a range of important functions and to deliver departments' strategic objectives. The Cabinet Office oversees around 295 ALBs in the UK that spend approximately £265 billion a year and employ around 300,000 people. The scale of these ALBs varies greatly, from large organisations that deliver essential services like NHS England and Ofsted, to smaller bodies like the Boundary Commission for England and the Family Justice Council that only employ a few people. Each ALB operates with a varying degree of independence, but departmental accounting officers remain ultimately accountable to Parliament for the performance of ALBs. The Cabinet Office, HM Treasury and sponsor departments all have a role in setting up and overseeing ALBs.

Based on a report by the National Audit Office, the Committee took evidence on 5 July 2021 from the Cabinet Office, Department for Environment, Food and Rural Affairs, the Ministry of Justice and HM Treasury. The Committee published its report on 24 September 2021. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Central oversight of arm's-length bodies – Session 2021-22 (HC 297)
- PAC report: Government's delivery through arm's-length bodies – Session 2021-22 (HC 181)

Government response to the Committee

1: PAC conclusion: Since this Committee last examined the topic in 2016, the Cabinet Office has made slow progress on its plans for arm's-length bodies reform.

1: PAC recommendation: The Cabinet Office should write to us by January 2022, setting out:

- ***the lessons it has learned from the previous public bodies programme;***
- ***how it is going to incorporate the recommendations from this report into its future strategy; and***
- ***what it is going to do to ensure that, given the vast amount of money these bodies spend, ALBs are not overlooked as part of the efficiency review.***

1.1 The government agrees with the Committee's recommendation.

Target implementation date: January 2022

1.2 The government will write to the Committee by January 2022 as requested. This will include:

- an update on the HM Treasury and Cabinet Office Public Bodies Reform Programme;
- how the government will deliver Action 24 of the Declaration on Government Reform which committed it to a new series of public body reviews and to enhance department sponsorship;
- how the new series of reviews will be informed by lessons learned from previous public body reviews;

- an update on our emerging work on a Public Bodies Strategy;
- how the government is considering the efficiency of public bodies; and
- how the Cabinet Office and HM Treasury will ensure adherence to existing and proposed guidance.

2: PAC conclusion: Cabinet Office and HM Treasury's review and challenge of business cases is not sufficiently robust.

2: PAC recommendation: The Cabinet Office and HM Treasury should revisit their checklist for new business cases by January 2022 to ensure that it is fit for purpose. It should make sure that all business cases meet these requirements before they are approved.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: January 2022

2.2 The government will continue to require that proposals to establish new arm's length bodies (ALBs) are supported by a business case. Such business cases must:

- follow HM Treasury's Green Book: appraisal and evaluation in central government, including by structuring the business case around the Five Case Model;
- assess how the functions of the proposed ALB pass at least one of the government's three tests for delivery at arm's-length;
- include a long-list options appraisal, a fuller assessment of the shortlisted options, and cost-benefit analysis of the preferred option; and
- explain how the proposed ALB will be established, governed, and reviewed.

2.3 To support departments in meeting these requirements more consistently, the Cabinet Office will develop an updated internal business case checklist by Spring 2022.

3: PAC conclusion: Departments do not receive enough support from Cabinet Office in certain aspects of arm's-length bodies management.

3: PAC recommendation: The Cabinet Office should write to us by January 2022, setting out how it will use its new strategy to:

- ***assure itself that the guidance it sets is being followed and that assurance and framework documents are regularly updated;***
- ***support departments and ALBs so that they can better benchmark their performance; and***
- ***improve sponsorship skills across government and how it will measure the success of this.***

3.1 The government agrees with the Committee's recommendation.

Target implementation date: January 2022

3.2 The government committed to a new programme of reviews and enhancing sponsorship through Action 24 in the Declaration on Government Reform. The Cabinet Office will write to the Committee with an update on the progress of the Public Bodies Reform Programme and its next steps in January 2022. As confirmed in Alex Chisholm's written evidence to the Committee, the Programme includes workstreams on governance, data and sponsorship.

4: PAC conclusion: The Cabinet Office and HM Treasury do not have a common view of risks across arm's-length bodies.

4: PAC recommendation: In its Treasury Minute response the Cabinet Office should set out how:

- ***it will gain assurance that departments have developed a consolidated view of the risks presented by their ALBs; and***
- ***it will use departmental assessments of ALB risks to inform discussions on cross-cutting risk with the Government Finance Function.***

4.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2022

4.2 The Cabinet Office will work with the Government Finance Function to:

- promoting good practice and effective relationships and transparency between departments and their ALBs to support a mutual understanding of risk with proportionate monitoring and aligned reporting;
- creating common frameworks that allow assessment of organisational risk management maturity, to be published Summer 2022;
- using departments' assessment of risks and their management across their ALBs to inform the public bodies programme of focussed and coordinated reviews to examine the effectiveness of the management of areas of significant risk; and
- enhancing capabilities and drive professionalism to build risk management awareness and knowledge across leaders at all levels of government organisations.

5: PAC conclusion: Poor data and legacy IT are a barrier to effective oversight of its arm's-length bodies.

5: PAC recommendation: HM Treasury should write to us as soon as possible after the Spending Review to outline how bids to resolve systemic legacy IT issues have been addressed as part of Spending Review 2021.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: Winter 2021

5.2 HM Treasury will write to the Committee setting out how the 2021 Spending Review process and decisions are addressing legacy IT issues. These decisions have been informed by work that the Cabinet Office's Central Digital and Data Office and Government Security Group undertook with departments and HM Treasury spending teams to identify digital, data and technology challenges and areas to prioritise funding in the 2021 Spending Review. The government is investing £2.6 billion in cyber and legacy IT over the 2021 Spending Review period, with a particular emphasis on improving the government's own cyber security.

6: PAC conclusion: The current public appointments process does not give confidence that it is efficient, transparent and fair.

6: PAC recommendation: The Cabinet Office should confirm in the Treasury Minute:

- ***what arrangements it will put in place to ensure the Code is adhered to;***
- ***when it expects its new public appointments recording system to be operational;***
- ***that data collected will include diversity statistics and data on the length of time appointments take; and***
- ***how it will assure itself that decisions on public appointments are transparent and made on merit.***

6.1 The government agrees with the Committee’s recommendation.

Target implementation date: Spring 2022

6.2 The legal basis for public appointments made by ministers is an Order in Council. This provides for a Governance Code, setting out the process and principles (including openness, fairness and merit) for how appointments must be made. The Order also provides for an independent Commissioner for Public Appointments, currently William Shawcross (whose appointment commenced on 1 October 2021 for a five-year term). He holds an independent office and acts as an external regulator of adherence to the Governance Code, with powers of audit and investigation. The Commissioner also publishes annual reports covering the diversity of appointments made by HM Government and Welsh Government ministers and departments’ adherence to the Code.

6.3 The Cabinet Office has oversight of the policy framework for the appointments system and is responsible for:

- managing the current appointments website. The Cabinet Office is continuing to implement a new end-end digital system for public appointments. The contract for delivery of this has been signed. The supplier is contracted to deliver a phased ‘go-live’ in Q1 of 2022-23;
- publishing annual diversity data on appointments (the last publication was on 21 October 2021). In future, this data will be drawn from the new IT system as well as management information such as competition durations. Data captured will include protected characteristics as well as other important aspects of diversity, such as geographical location and education and experience background;
- leading the drive for diversity in its broadest sense. In 2019, the government published a Diversity Action Plan for appointments which it committed to keep under review to ensure that talented individuals from all backgrounds and across the whole of the United Kingdom are encouraged to apply for these roles; and.
- providing regular training, advice and guidance to departments, alongside the work of the independent Commissioner.

6.4 The outcome of all competitions is published on the appointments website, and for key appointments may also be subject to pre-appointment scrutiny by the relevant Select Committee. As well as the use of independent panel members, the regulatory role of the Commissioner for Public Appointments to consider complaints and conduct investigations and audits ensures that appointments are made on merit and in line with the other principles in the Governance Code.

Nineteenth Report of Session 2021-22

Department for Business, Energy & Industrial Strategy

Protecting Consumers from Unsafe Products

Introduction from the Committee

Unsafe and dangerous products can cause harm in different ways. Harm can be visible, such as the estimated 3,000 house fires each year in the UK that are caused by appliance faults. It can also be less obvious, such as toxic or carcinogenic chemicals in products or disinfectant that is not as effective as it claims. UK regulations require businesses that make or sell products to ensure they are safe when used normally or in a way that could be reasonably foreseen. Products which are at greater risk of safety problems, such as cycling helmets and electricals, have additional requirements. Since EU Exit, product safety regulations are set by the UK government (although many are still derived from EU regulations and directives) and are sometimes based on internationally recognised product standards.

Until 2018, consumer product safety regulations (apart from food, medicines and vehicles) were enforced entirely by local authority Trading Standards services. In response to increasingly complex national and international product markets, the government created the OPSS in January 2018 to regulate consumer product safety at a national level. Its role includes identifying and assessing product risks and intervening directly on nationally significant product issues. It works alongside Trading Standards services which still regulate at local level and undertake most enforcement activity. For expediency, in order to tackle immediate issues including known problems with household appliances and preparing for EU Exit, the OPSS was set up as a new office within the Department for Business, Energy & Industrial Strategy (the Department). The OPSS's product safety operations budget has grown from £10 million in its first year to £14 million in 2020–21, and in 2022 it will be taking on new duties for regulating construction products.

Based on a report by the National Audit Office, the Committee took evidence on 1 July 2021 from the Department for Business, Energy and Industrial Strategy. The Committee published its report on 30 September 2021. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Protecting consumers from unsafe products – Session 2021-22 (HC 294)
- PAC report: Protecting consumers from unsafe products - Session 2021-22 (HC 180)

Government response to the Committee

1: PAC conclusion: The OPSS lacks the data it needs to proactively identify and address risks to consumers from unsafe goods.

1: PAC recommendation: The OPSS should write to us within six months and set out the progress made in its data strategy, including its data-sharing pilot with the NHS and whether it is achievable in practice. Its response should set out what other data sources it has identified and begun to collect to improve its intelligence base.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2022

1.2 The Office for Product Safety and Standards (OPSS) agrees to write to the Committee within six months of the PAC report to detail the progress made on OPSS's data strategy.

1.3 OPSS is currently developing a data strategy, including improving its intelligence sources and identifying data gaps. It has four main objectives:

- shaping OPSS' organisational activity and approach using the power of data;
- ensuring effective use and control of data OPSS owns and shares with others;
- using data and outputs to drive behavioural change in consumers, businesses and the public;
- targeting OPSS' regulatory activity towards the greatest risks using data and analysis.

1.4 The data-sharing pilot with the NHS should be completed by Spring 2022 following which the results will be evaluated to understand the benefits, insights and challenges involved. OPSS will include an update on this work when it reports back to the Committee.

1.5 OPSS will also continue to develop and utilise its internal data sources, including the Product Safety Database which records hazardous and non-compliant products identified by UK market surveillance authorities and can be used to identify trends and areas of specific risk. For example, OPSS' intelligence unit is currently trialling new software that will facilitate the collection of corroborated intelligence, adding an additional layer of value to OPSS' intelligence products, thereby enhancing operational decision making. OPSS's risk unit is also developing new risk assessment methodologies to ensure that OPSS' regulatory activities are targeted towards the highest risks.

2: PAC conclusion: The OPSS has struggled to reach some businesses and consumers to prevent harm being caused by unsafe products.

2: PAC recommendation: The OPSS should develop a detailed plan for proactively communicating with and influencing industry and consumers. This should set out how different industry and consumer groups, including vulnerable and hard to reach demographics, will be targeted using different approaches.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2022

2.2 OPSS has conducted a comprehensive survey asking 4,000 consumers about their attitudes and behaviours related to product safety and undertaken consumer safety information campaigns with partners such as the Royal Society for the Prevention of Accidents, Electrical Safety First, Child Accident Prevention Trust and Chartered Trading Standards Institute to raise awareness on safety issues.

2.3 OPSS' safety campaigns on fireworks, Halloween fancy dress, button batteries, counterfeit products and Christmas campaigns have been very successful. These campaigns reached more than 2 million people over the last year. OPSS has improved reach and accessibility too.

2.4 OPSS runs a Business Reference Panel composed of technical and regulatory leads from 200+ trade organisations and individual businesses representing a diverse range of sectors from food production, hospitality and retail to commercial and consumer product manufacturing.

2.5 OPSS is planning to enhance understanding of consumers and businesses, enabling a more proactive and segmented approach to regulating the system, better protecting people and preventing harm including developing a better understanding of how more vulnerable consumers can be better protected.

2.6 The Committee cited in its Report a survey finding that “24% of businesses remain unaware of their product safety responsibilities.” OPSS would like to clarify that the survey posed the question: “Other than to make sure nobody is harmed, what is the primary reason your business ensures high levels of product safety standards?” to which 24% chose a response option of “not applicable/no responsibility”.

3: PAC conclusion: There is insufficient coordination between the OPSS, local authorities and other parts of government.

3: PAC recommendation: The OPSS should work with the Department and other parts of government to ensure the regulatory system is better coordinated. In particular, it should engage with MHCLG and other relevant departments to address concerns around the long-term sustainability of the Trading Standards workforce. In their update to this Committee, they should explain how they intend to resolve this issue.

3.1 The government agrees with the Committee’s recommendation.

Target implementation date: Spring 2022

3.2 OPSS recognises the fundamental role that local Trading Standards services play in product safety regulation and the importance of attracting new people into the profession. OPSS provides national capability to supplement and enhance the effectiveness of local authority enforcement activity. This includes: provision of scientific and technical capability; intelligence and risk capability to provide a national risk picture; national incident management capability; and Trading Standards capability building. OPSS engages with local authorities and Trading Standards bodies and their views and feedback inform OPSS’ delivery. OPSS is currently clarifying its offer to Trading Standards to facilitate greater understanding and co-operation.

3.3 OPSS was instrumental in the development of a new Regulatory Compliance Officer apprenticeship, working with the Chartered Trading Standards Institute (CTSI) and other regulators to diversify entry routes into a career in regulatory services.

3.4 The Department for Business, Energy and Industrial Strategy (the department) currently provides £12 million funding to National Trading Standards (NTS) and £1.25 million to Trading Standards Scotland per annum to add specialist expertise and to support trading standards to enforce cases that stretch beyond local boundaries. OPSS also supports Trading Standards through funding testing laboratories, training, national co-ordination and intelligence such as the Product Safety Database, sharing information on unsafe or non-compliant products, with 1,300 local authority users and 9 national regulators. Local authority regulatory services are funded from each local authority’s budget, in line with local decision-making, but OPSS will continue to inform central government discussions on maintaining the effectiveness of Trading Standards Services.

4: PAC conclusion: Gaps in the regulatory framework make it harder to protect consumers from new risks presented by online marketplaces and emerging technologies.

4: PAC recommendation: The Department and OPSS should write to us within six months to update us on the progress of their product safety review, and how and when they will address gaps in the regulatory framework. This should include a clear assessment of the key constraints the regime faces in regulating product safety through online marketplaces and keeping regulations up to date with changes in product technologies.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2022

4.2 OPSS will write to the Committee within six months of the PAC report to detail progress made on its plan for the future of UK product safety regulation.

4.3 In OPSS' first three years, it has conducted significant research into emerging technologies, such as 'smart' products, and set up a major review into the product safety system looking to ensure UK regulations are fit for purpose now and in the future. OPSS is creating a robust approach to working with and holding to account online retailers and preventing unsafe products from reaching consumers. OPSS continues to develop this. OPSS' data strategy, product safety review and regulatory strategy will all help to address aspects of these challenges.

4.4 The Product Safety Review consultation closed on 17 June 2021 and OPSS has been reviewing the 158 responses. OPSS will be looking to address identified gaps in the regulatory and legislative framework and seeking to build in sufficient flexibility to allow it to meet future challenges and changes in markets and consumer practices. OPSS' response was published on 11 November 2021.

4.5 OPSS is also acting ahead of any legislative changes. It has an expanded online investigation capability with a dedicated team able to conduct online market surveillance and work with platforms to have non-compliant items dealt with. OPSS has conducted enforcement investigations into online sales of toys and electricals and has established more robust approaches for third party sellers outside the UK.

5: PAC conclusion: The regulatory system is lacking capacity and skills to meet the challenges it faces.

5: PAC recommendation: The Department and OPSS should evaluate the regulatory resource needed for the future of the regulatory regime. This should reflect the impacts of product checks at the UK border, the OPSS's new duties on construction products and the loss of resource at local Trading Standards services.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2022

5.2 OPSS is currently reviewing of the Product Safety framework to ensure it is simple, flexible and fit for the future. It is seeking to ensure the regime and the legislation can keep up with new technologies and changing business models in the future – promoting innovation while continuing to ensure protection for consumers.

5.3 OPSS provided £1.45 million for checks at key UK ports and borders for national product safety risks last year. In addition, the Department for Levelling Up, Housing and Communities is providing dedicated resource to specifically fund OPSS' construction products activity. OPSS will continue to work with local authorities, ports and border staff to address national product safety risks.

5.4 Regarding construction products, over 2021 OPSS is primarily focused on developing capacity - creating a knowledgeable team internally; developing robust statutory tools; strengthening local authority capabilities, test houses and standards committees; and working coherently with the Building Safety Regulator. It has also begun work to understand the nature of the sector and where the compliance risks may sit within it, including an assessment of supply chains, variation in producer scale and capability, diffused risks and accountabilities, and issues of competency and culture.

5.5 As the national regulator for construction products, OPSS will continue to support local authorities and Trading Standards with competency and capability assistance as well as funding for their work on product safety.

6: PAC conclusion: The government has not yet set out a clear vision and detailed plan for the future of UK product safety regulation.

6: PAC recommendation: In their update to the Committee on the product safety review, the Department and OPSS should set out a timetable for the next UK product safety regulatory strategy. This strategy should set out clearly what type of regulatory system the UK will adopt to best combat the challenges it faces, and consider at what point the OPSS would be most effective as an independent regulator.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2022

6.2 OPSS will write to the Committee within six months of the PAC report to detail the progress made on its plan for the future of UK product safety regulation.

6.3 OPSS is currently creating a detailed regulatory strategy covering UK product safety and product standards and building on its existing regulatory experience to establish a proactive regulatory approach. This is due for publication in Spring 2022 and OPSS will update the Committee on the progress of this by 30 March 2022.

6.4 OPSS' considerations include: the developments in data availability and accessibility; expanded intelligence sources; better engagement with consumers and industry; a greater understanding of vulnerable groups and how OPSS can best protect them; and how best to support local authorities and Trading Standards services.

6.5 OPSS is committed to being a transparent, accountable and impartial regulator and governance arrangements are subject to regular review. OPSS has built the capability to do that job well – recruited specialists, established core processes and carried out significant research into the nature of the regulatory challenge. It has also established access to independent expertise and advice, for example, through the newly established Scientific Advisory Committee on chemicals safety for non-food consumer products.

Twentieth Report of Session 2021-22

Optimising the defence estate

Ministry of Defence

Introduction from the Committee

The Ministry of Defence (the Department) has access to one of the largest estates in the country. The estate covers 1.5% of the UK landmass, and is valued at £36 billion. The Department recognises that its estate is too large and that its scale, nature and location have not evolved enough to meet the Armed Forces' current and future needs. The Department's vision is to develop an estate that is affordable and optimised to support Defence capabilities, outputs and communities. It is disposing of sites it no longer needs and is accountable for a 2015 Spending Review commitment to reduce the size of its built estate by 30% by 2040–41. It is also seeking to reduce future running costs. It spent £4.6 billion on its estate in 2019–20, 12% of the overall defence budget.

In 2016, the Department set up a 25-year investment strategy known as the Defence Estate Optimisation (DEO) Portfolio. The DEO Portfolio is the Department's main estate transformation programme, which aims to achieve a smaller, more efficient estate. It consists of a series of building projects to rehouse personnel and equipment, moving units to new locations and disposing of vacated sites. In 2016, the Department expected that the DEO Portfolio would reduce the size of the built estate by 25%, and that other sales would reduce it by a further 5%. The Portfolio team works with the Top-Level Budgets (TLBs) which are responsible for managing and rationalising their own estate. The Defence Infrastructure Organisation (DIO) provides TLBs with advice and support on estate management, including disposals.

Based on a report by the National Audit Office, the Committee took evidence on 28 June 2021 from the Ministry of Defence. The Committee published its report on 12 October 2021. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Optimising the Defence Estate– Session 2021-22 (HC 293)
- PAC report: Optimising the Defence Estate – Session 2021-22 (HC 179)

Government response to the Committee

1: PAC conclusion: We are very concerned that the Department does not have a coherent strategy to deliver the necessary reform of its whole estate and to manage all related estate initiatives.

1: PAC recommendation: By 31 December 2021, the Department should publish a revised estate strategy with milestones which reflects the decisions made in the Integrated Review. When published, the Department should write to the Committee to explain how it will manage the interdependencies between estate initiatives; its plans for rationalising the overseas, training and reserve estates; and the resources it will commit to delivering the strategy.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: Winter 2021/2022

1.2 The Ministry of Defence (the department) has already committed to releasing the Strategy for Defence Infrastructure (SDI) before the end of 2021. The Strategy's vision is for a safe estate, fit for purpose to deliver military capability and support Defence people and aligns with the ambition set out in the 2020 Spending Review (SR) and 2021 Integrated Review (IR) and Command Paper. The department is investing £9.3 billion over the next ten years, which includes £4.3 billion for the Defence Estate Optimisation (DEO) portfolio and £5 billion on further modernisation of the estate. The department spends approximately £4.5 billion, annually on meeting routine running costs (£2.3 billion), conducting minor upgrade tasks (£560 million) and delivering more substantive repairs (£1.7 billion).

1.3 The DEO portfolio is now fully funded for the first time and is being adjusted to align with the direction set out in the 2021 IR for the future of the armed forces. The work to update the plan is expected to be completed by Spring 2022, the results of which will be shared with the Committee.

1.4 The infrastructure operating model provides the mechanism to manage the interdependencies between estate initiatives. The management of the DEO portfolio under a single Senior Responsible Owner (SRO) provides the necessary governance, oversight, and financial and delivery planning processes to manage the interdependencies with other estate initiatives. The department is already undertaking a review of the Reserves Forces Estate. The findings will be shared with Parliament in due course.

2: PAC conclusion: The Department has no meaningful targets or high-level performance framework to incentivise it to develop an affordable estate that better supports defence needs.

2: PAC recommendation: By 31 December 2021, the Department should reset its estate optimisation targets, developing specific shorter-term deliverables, including reductions in the size of estate; sale proceeds; and savings in estate running costs.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2022

2.2 The department has a clear plan for modernising its capabilities and reducing the size of the estate to meet Defence's requirements, aligning with the 2021 Integrated Review (IR) and publication of the Command Paper. The department now has clarity on its near-term priorities and is committed to delivering the military requirement as efficiently as possible.

2.3 The department confirmed with Defence Ministers that the 2015 target to reduce the built estate by 30% is no longer appropriate and will no longer be pursued. The original target, which had been set out in the 2015 Strategic Defence and Security Review, was a top-down target assumption and was not based on detailed plans. Following the 2020 SR, 2021 IR and the publication of the Defence Command Paper, the department has a clear plan for modernising its capabilities and reducing the size of the estate of the next few years.

2.4 The DEO Portfolio will align its targets and benefits with the outcome of the 2021 IR. The department is working on delivering a refreshed DEO portfolio plan to reflect a post-IR capability laydown. Given the work involves refreshing the plan and re-costing implications of project changes and benefits, it is expected to be completed and formally endorsed within the department by Spring 2022.

3: PAC conclusion: The Department has made slow progress in reducing the size of its estate.

3: PAC recommendation: By the end of this Parliament, the Department must be able to demonstrate that it has built on recent developments to deliver planned site disposals. Each June, it should provide the Committee with an update on its progress, reporting against its revised performance framework. It should also identify and apply good practice from across the public and private sectors to ensure it is achieving timely disposals which maximise returns.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2022

3.2 The department will provide a report to the Committee immediately following the Ministers' endorsement and subsequent update to Parliament.

3.3 The department has disposed of over 200 surplus sites since 2015 in line with expectations to the value of over £1 billion. The department has also been optimising its use of the current estate to ensure it is appropriately located, resilient and sustainable to provide better value for money.

3.4 Following the 2020 SR, DEO is now fully funded following a gap left by withdrawal of Private Finance funding. It will meet new capability demands and be an important but not exclusive part of optimising the estate. The DEO portfolio SRO has worked closely with the Infrastructure and Projects Authority and engaged with a client-side partner to provide private sector and industry knowledge for maximising returns. The SRO has also engaged with relevant cross-Whitehall stakeholders, such as the Cabinet Office and the Department for Levelling Up, Housing and Communities.

4: PAC conclusion: The Department's ability to make informed decisions on estate management and on which sites to sell remains constrained because it still lacks good management information on its estate, despite this Committee highlighting the problem in 2010.

4: PAC recommendation: The Department should explore how to accelerate the development of its asset management system—due in 2025—and embed this in its management of the estate. It should include an update on its progress when it writes to the Committee to explain its new estate strategy.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: Winter 2021/2022

4.2 The department will provide an update on progress against delivery of its asset management system in Winter 2021/2022.

4.3 The department is committed to accelerating development where possible and is currently on track to have an asset management system with a maturity level 3 'competence' (ISO 55001) by the end of 2025. The department has worked extensively with industry, benchmarking the development and implementation of an asset management system of a similar scale to the department. This work supports the target implementation date.

4.4 The department manages its assets under a variety of Hard Facilities Management contracts which provide some asset management information. This position will improve further as the department draws more data from its contractors through the asset management programme and could have the potential to shorten the projected timescales for completion.

5: PAC conclusion: The Department's forecast savings from its DEO Portfolio by 2040 have already fallen from £2.4 billion to £0.65 billion, and there is a very real risk they will melt away completely.

5: PAC recommendation: The Department should collect better data on the actual cost of preparing sites for disposal and the building works on sites receiving relocated personnel and equipment, including the cost of meeting sustainability commitments. It should use these data to re-assess the forecast savings from the disposal programme and include this in its annual update to the Committee.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2022

5.2 As with any large portfolio it was initially planned to use the best knowledge and assumptions available at the time. Several factors influenced the reduction in net savings these included 9 significant site retentions (7 in DEO and 2 across the wider estate) which were needed to support military capability and were then not available for disposal. This has reduced the level of savings delivered when compared to the original estimates. As the portfolio estimates mature, the department expects to make net savings of £0.65 billion through DEO disposals over the next 25 years. Gross savings are £2.7 billion in running costs and £2.3 billion of savings expected as a result of reductions in future maintenance and life-cycle replacement costs.

5.3 A new Delivery, Commercial and Procurement strategy will be implemented in Summer 2022 which will deliver key benefits from early engagement with industry using a two-stage procurement mechanism through the design and build phases in line with industry best practice. This strategy will provide the department greater confidence and accuracy in project costings due to the completion of detailed designs and site master plans.

5.4 The department will also work with industry partners and utilise reference class data to ensure the cost of site preparation to support disposals is understood, matured, and factored into project planning and estimating. Progress on this will be provided in the annual update to the Committee.

6: PAC conclusion: The Department has still not tackled the long-known problems with the poor quality of its estate, which continue to harm the well-being of service personnel.

6: PAC recommendation: The Department must demonstrate to the Committee in its annual update how its commitment of appropriate resources to tackling the problems which affect the lived experience of its personnel have had an effect, to the extent that we start to see improvements in the relevant scores in the annual armed forces continuous attitude survey.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2022

6.2 The department is refreshing building design standards to ensure that it only constructs accommodation and offices that meet the expectations of Defence personnel both now and in the future. The department plans to invest circa £1.5 billion (excluding DEO) in improving Single Living Accommodation (SLA) over the next decade.

6.3 In addition, in the last five years, the Department has invested more than £650 million in improvements to Service Family Accommodation (SFA). Over 97% of UK SFA meets or exceeds the Decent Homes Standard with no properties allocated below that standard.

6.4 Over the past two years the department's Defence Infrastructure Organisation and Industry Partner, Amey, have worked collaboratively to improve accommodation delivery, with a clear focus on improving key performance indicators in maintenance and move-in preparation. As a result, the experience of service families has steadily improved. The latest survey data of August 2021 has shown that 61% of Armed Forces Continuous Attitude Survey (AFCAS) respondents were satisfied with their homes, with 63% citing defence accommodation as providing value for money.

6.5 Both SFA and SLA will improve further under the new Future Defence Infrastructure Services contracts and the implementation of the new SLA minimum standards creating the opportunity to move away from a 'fix on fail' approach to preventative maintenance. The department expects the impact of its increased investment in the improvement and modernisation of SFA to be reflected in future improvements in customer satisfaction levels.

Twenty-First Report of Session 2021-22

Department for Education

School Funding

Introduction from the Committee

In January 2020, there were more than 20,200 mainstream state schools in England, educating more than 8.1 million pupils aged four to 19. Around 11,700 of these schools (58% of the total), with 3.8 million pupils, were maintained schools, funded and overseen by local authorities. The remaining 8,500 schools (42%) were academies, with 4.4 million pupils. Each academy school is part of an academy trust, directly funded by the Department and independent of the relevant local authority.

The Department is responsible for the school system, and is ultimately accountable for securing value for money from the funding provided for schools. It works with the Education and Skills Funding Agency (the ESFA), which distributes funding for schools and provides assurance about how the money has been used. In 2020–21, the Department provided mainstream schools with core revenue funding of £43.4 billion. The largest component of this funding (£36.3 billion, 84% of the total) was the schools block of the dedicated schools grant. Other funding streams included grants to support disadvantaged pupils and pupils with high needs.

Based on a report by the National Audit Office, the Committee took evidence on 15 July 2021 from the Department for Education and the Education and Skills Funding Agency. The Committee published its report on 22 October 2021. This is the government's response to the Committee's report.

Relevant reports

- NAO report: School-funding-in-England – Session 2021-22 (HC 300)
- PAC report: School Funding – Session 2021-22 (HC 183)

Government response to the Committee

1: PAC conclusion: The Department's continued failure to finalise the SEND review means children with SEND are still waiting for much needed improvements in support.

1: PAC recommendation: The Department should write to us, within a month of this report being published, with details of the progress it has made towards finalising the SEND review and setting out when it now plans to publish the review.

1.1 The government agrees with the Committee's recommendation.

Recommendation implemented

1.2 The Department for Education (the department) wrote to the Committee on 19 November 2021 with details of progress towards finalising the special educational needs and disabilities (SEND) review, and plans for publication. The department is committed to improving outcomes for children and young people with SEND; improving people's experiences of the SEND system, with services working in co-production with children, young people and families; and delivering better value for money by targeting and distributing resources in a sustainable way that meets need quickly and effectively. The department will publish proposals for full public consultation, enabling the views of families and stakeholders to shape how the department meets these goals.

1.3 The department is committed to concluding the Review, and as the Secretary of State set out at the Education Select Committee on 3 November, the department hopes to publish in the first quarter of next year. The Green Paper will outline plans for implementation, including how that will be resourced, to improve the way the department delivers support for children and young people with SEND, giving them greater opportunities to improve their outcomes.

2: PAC conclusion: Under the national funding formula, schools that are more deprived have fared worse than those that are less deprived.

2: PAC recommendation: Before moving towards a hard national funding formula, the Department should publish an assessment of the likely impact of the proposed changes on individual schools and different types of schools.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: July 2022

2.2 The national funding formula (NFF) distributes funding for schools fairly, based on the needs of schools and their pupils. This includes targeted funding for schools which have higher numbers of pupils from disadvantaged backgrounds and other additional needs. The introduction of the NFF fixed a broken system that had not reflected changes in need since the early 2000s. The shifting pattern of deprivation funding seen in the NFF significantly reflects schools' funding catching up with changes in the pattern of deprivation since that time. The lower than average increases in funding in London, for example, reflect significant decreases in deprivation levels from 2005 to 2017, whereas areas where deprivation levels increased over this period have benefited from larger than average funding increases through the NFF.

2.3 The department has recently published a consultation on Completing our Reforms to the NFF which proposes that the department will move to allocating funding directly to schools on the basis of a single, national formula.

2.4 While this is the department's long-term goal, it is a significant change that requires careful implementation. In the consultation, the department proposed taking a gradual approach to transition through requiring local authority funding formulae to move closer to the NFF from 2023-24. The department will publish an analysis of the impact of this transitional step on individual schools and different types of schools. The department will publish the first such analysis in July 2022; this analysis will be updated annually for each subsequent transitional year.

3: PAC conclusion: It is not possible to tell whether individual academy schools are receiving the government's guaranteed minimum per-pupil funding levels.

3: PAC recommendation: The Department should publish each year, starting with the year ending 31 August 2021, details of the schools block per-pupil funding that each academy school has received.

3.1 The government disagrees with the Committee's recommendation.

3.2 The department does not collect information from academy trusts in this form and it would not be practicable to collect and publish it for the academic years ending 31 August 2021 or 31 August 2022. The department will keep under review the financial information provided by academy trusts.

3.3 The expenditure of academy schools can be analysed on a per pupil basis using data available on the Schools Financial Benchmarking website. The department believes this is the best information for assessing whether money is being spent appropriately on pupils. The department will continue to review the Schools Financial Benchmarking website to ensure that information is presented transparently and clearly, informed by user feedback.

4: PAC conclusion: Schools are having to cross-subsidise their sixth forms with funding intended to support younger pupils.

4: PAC recommendation: In making and communicating decisions about school funding, the Department should explicitly consider how different funding streams interact so that schools do not have to cross-subsidise, for example, in order to support sixth-form provision.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: December 2021

4.2 The department is committed to investing in education for pupils aged 16-19, including school sixth forms. Following the 2019 Spending Round, the department has invested a total of an extra £691 million (£400 million in 2020-21 and a further £291 million in 2021-22) in 16-19 provision overall. In addition, Spending Review 2021 has made available an additional extra £1.6 billion for 16-19 education by 2024-25. This will support all institutions, including school sixth forms. Nonetheless, it is also important to reflect that many 16-19 only institutions, including free schools and sixth form colleges, provide high quality education without the need for cross-subsidy.

4.3 Schools are responsible for their own planning and for considering curriculum, timetable and resources when deciding what courses to offer in their sixth form. The department has been very clear in published guidance for Academies and free schools that new school sixth forms need to be above a certain size to ensure year on year sustainability. For example, academies proposing to open a new sixth form are expected to provide, as a minimum, 200 student places. New free schools with sixth forms are also expected to provide at least 200 places - or 1,000 if they are institutions only for pupils aged 16-19.

4.4 Funding allocations for the financial year 2022-23 are expected to be announced shortly. In taking decisions over funding levels for schools with children aged 5-16 and for those with post-16 provision the department will continue to consider in future years how these funding streams interact to support the financial sustainability of schools with sixth forms.

5: PAC conclusion: The Department does not seem to have a grip on the impact of falling rolls on schools.

5: PAC recommendation: The Department should carry out an evidence-based assessment of whether there is enough support for schools whose rolls are falling, and write to us by the end of March 2022 with an update on the results of its assessment and what it is doing to address any concerns.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: March 2022

5.2 The National Funding Formula (NFF) has a number of elements which support schools with falling rolls. In particular, schools are funded on a lagged basis (ie. the number of pupils they had on roll at the previous autumn census). This is particularly beneficial for schools that experience decreases to their number of pupils because it gives lead-in time for such schools to plan spending in response to having fewer pupils.

5.3 Responsibility for balancing the supply and demand of school places rests with the local authority. All local authorities should ensure they are managing the local school estate efficiently such that schools remain financially viable. This means that local authorities may need to focus onto reducing or re-purposing high levels of spare capacity, in order to avoid undermining the educational offer or financial viability of schools in their area. Local authorities should consider a spectrum of options for the reutilisation of space, including, for example, co-locating nursery or SEND provision, as well as options for reconfiguration, including via remodelling, amalgamations or mergers/closures where this is the best course of action.

5.4 Local authorities may set aside some of their Dedicated School Grant (DSG) schools block funding for falling rolls funds. These are intended to support good and outstanding schools with falling rolls where local planning data show that surplus places will be needed with the next three financial years. The decision on whether to have falling rolls funds, and the value of these funds, is subject to local discretion and agreement from the local schools forum.

5.5 The department will write to the Committee in March 2022 with an updated assessment of support for schools with decreasing pupil numbers.

6: PAC conclusion: The Department cannot say when it will implement its commitment to a starting salary of £30,000 for new teachers.

6: PAC recommendation: The Department should set out a timetable for meeting its commitment to a £30,000 starting salary for teachers, along with details of how this will be funded.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2022

6.2 As is standard process, the department will be seeking the recommendations of the School Teachers' Review Body (STRB) for the 2022-23 academic year pay award.

6.3 As part of this process it will provide written evidence to the STRB. This will set out the department's intended approach to delivering the £30,000 starting salary for teachers.

6.4 However, the exact delivery of the commitment will of course be subject to the STRB's recommendations and government response.

6.5 The department currently expects that written evidence will be submitted to the STRB early in 2022.

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: 141
Recommendations agreed: 131 (93%)
Recommendations disagreed: 10

Publication Date	PAC Reports	Ref Number
August 2021	Government responses to PAC reports 1-6	CP 510
September 2021	Government responses to PAC reports 8-11	CP 520
November 2021	Government responses to PAC reports 7,13-16 (and TM2 BBC)	CP 550
December 2021	Government responses to PAC reports 12, 17-21	CP 583

Session 2019-21

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

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

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

Session 2017-19

Committee Recommendations: 747
Recommendations agreed: 675 (90%)
Recommendations disagreed: 72 (10%)

Publication Date	PAC Reports	Ref Number
December 2017	Government responses to PAC report 1	Cm 9549
January 2018	Government responses to PAC reports 2 and 3	Cm 9565
March 2018	Government responses to PAC reports 4-11	Cm 9575
March 2018	Government responses to PAC reports 12-19	Cm 9596
May 2018	Government responses to PAC reports 20-30	Cm 9618
June 2018	Government responses to PAC reports 31-37	Cm 9643
July 2018	Government responses to PAC reports 38-42	Cm 9667
October 2018	Government responses to PAC reports 43-58	Cm 9702
December 2018	Government responses to PAC reports 59-63	Cm 9740
January 2019	Government responses to PAC reports 64-68	CP 18
March 2019	Government responses to PAC reports 69-71	CP 56
April 2019	Government responses to PAC reports 72-77	CP 79
May 2019	Government responses to PAC reports 78-81 and 83-85	CP 97
June 2019	Government responses to PAC reports 82, 86-92	CP 113
July 2019	Government responses to PAC reports 93-94 and 96-98	CP 151
October 2019	Government responses to PAC reports 95, 99-111	CP 176
January 2020	Government response to PAC 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
November 2021	Session 2013-14: updates on 1 PAC report Session 2016-17: updates on 3 PAC reports Session 2017-19: updates on 33 PAC reports Session 2019: updates on 2 PAC reports Session 2019-21: updates on 47 PAC reports Session 2021-22: updates on 5 PAC reports	CP 549
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 PAC 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

Publication Date	PAC Reports	Ref Number
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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