HM Treasury

Treasury Minutes

Government response to the Committee of Public Accounts on the Twenty-Second to the Twenty-Sixth reports from Session 2021-22

CP 603 January 2022

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

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Twenty-Second Report of Session 2021-22

Ministry of Defence

Improving the performance of major defence equipment contracts

Introduction from the Committee

The Ministry of Defence (the Department) has been managing suppliers and delivering military equipment programmes critical to our national security for decades. There have been numerous reviews of defence procurement over the past 35 years, which have provided the Department with opportunities to take stock and learn from experience. We are therefore extremely disappointed and frustrated by the continued poor track record of the Department and its suppliers—including significant net delays of 21 years across the programmes most recently examined by the National Audit Office—and by wastage of taxpayers' money running into the billions. The Department is in a disadvantageous position because it relies on a limited specialist supplier base to meet its needs and at times lacks the skilled personnel to effectively manage the performance of these suppliers. Overall, we are very concerned that the Department—and ultimately the taxpayer—bears too much of the financial risks for failure.

Based on a report by the National Audit Office, the Committee took evidence on 12 July 2021 from the Ministry of Defence. The Committee published its report on 3 November 2021. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Improving the performance of major equipment contracts – Session 2021-22 (HC 298)
- PAC report: Improving the performance of major defence equipment contracts – Session 2021-22 (HC 185)

Government response to the Committee

1: PAC conclusion: The Department's system for delivering major equipment capabilities is broken and is repeatedly wasting taxpayers' money.

1: PAC recommendation: HM Treasury and the Cabinet Office—with experienced external input—should review the Department's model for delivering equipment capabilities, including assessing:

- ***how the department holds suppliers to account for their performance.***
- ***the culture and relationships between Senior Responsible Owners, end-users and delivery agents.***
- ***how the Department undertakes technical risk assessments to arrive at cost and schedule estimates***

1.1 The government disagrees with the Committee's recommendations.

1.2 The Ministry of Defence (the department or MOD) recognises the challenges with delivering equipment capabilities, challenges which are not unique to UK Defence. There have been many wide-ranging reviews over the years culminating in the 2021 Integrated Review and Defence and Security Industrial Strategy. The department is clear that there is no single over-arching solution to the challenges but continues driving improvements across many areas which specifically include those the Committee has highlighted. This work is both supported and assured by HM Treasury and Cabinet Office including in specific programme reviews through the Major Projects Review Group. The department believes that it is more appropriate at this time to drive forward these improvements and continue to learn as issues emerge. Therefore, instead of a fundamental review, the department will consider conducting targeted reviews where it will add value to existing change programmes.

1.3 There are comprehensive governance arrangements and robust measures in place to ensure that contractors meet their obligations. As standard, contracts contain management clauses which are constantly monitored to ensure compliance and enable corrective action if necessary. Reviews into the performance of the largest and most important projects are undertaken at senior level through multiple channels across the department, including the Strategic Partnering Team and the Sourcing Council.

1.4 The department acknowledges that some senior responsible owners (SROs) feel they want greater influence over the relevant delivery agents, who operate and are held to account through their own framework documents and governance. To continue to develop and support the role of the SRO, the department is reviewing model SRO activities and developing the Project Delivery function’s operating model. This will articulate clear lines of accountability and responsibility between the SRO, Head Office, Commands (end users), and delivery agents.

1.5 The department's acquisition system has evolved significantly in the past decade, including improved Programme, Portfolio and Project Management, stronger functional management and project controls. Industry recognised, class leading Project Management tools and systems are in place, such as Primavera P6, Oracle Unifier, Business Intelligence, and Active Risk Manager, which provide an enterprise-wide view of project performance, underpinned by robust data, policies and procedures including a standard reporting drum beat and consistent Management Information dashboards. The department uses these tools to develop time and cost forecasts prior to procurement which are independently assured as part of the investment case and then monitored throughout the lifetime of the contract.

2: PAC conclusion: We are deeply concerned about departmental witnesses’ inability or unwillingness to answer basic questions and give a frank assessment of the state of its major programmes.

2: PAC recommendation: The committee expects the Department to develop a more transparent approach to assessing value for money. In particular, the Accounting Officer Assessments letters—which come to this committee when significant changes occur on major programmes—should include a more detailed and frank assessment of how the changes impact on the value for money case as defined at the start of the programme.

2.1 The government agrees with the Committee’s recommendation.

Target implementation date: Spring 2022

2.2 Although the department agrees with the Committee’s recommendation it does not agree with the Committee’s conclusion. The department assesses the value for money of all its investments. Value for money is evidenced and scrutinised at key approvals and assurance milestones and all programmes in the Government Major Programmes Portfolio must comply with HM Treasury’s Accounting Officer Assessments: guidance (2021). Programmes are also considered against the accounting officer tests where the programme is in breach, or potential breach, of the agreed performance, cost, and time envelope.

2.3 The department has a well-documented and embedded accounting officer assessment process, whereby assessments and their accompanying letters are generated by the relevant SRO, before being considered by the Director General Finance and finally decided on by the Permanent Secretary. All four standards - regularity, propriety, value for money, and feasibility - are carefully considered as part of this process. In considering value for money, all assessments are based on evidence and in line with HM Treasury guidance "…make the most plausible projection available".[1]

2.4 To ensure continuous review and improvement of activities to drive value for money, the department will ensure that in the future, letters to the Committee contain more of the detailed evidence provided to the Permanent Secretary on which value for money is assessed. The Permanent Secretary writes annually to all SROs as a reminder of this obligation to the Accounting Officer and to ensure the transparency of this process and will do so again by 31 January 2022.

3: PAC conclusion: The Department does not make enough demands of its suppliers to share the financial risks as well as the rewards of contracting for major equipment capabilities.

3: PAC recommendation: The Department should write to the Committee within six months with a clear plan on how it will ensure suppliers take on their fair share of the financial risk in contracts, and how it will take past performance into account when letting new contracts.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2022

3.2 Although the department agrees with the Committee's recommendation, it does not agree with the Committee's conclusion. The department recognises the importance of managing supplier performance including the apportionment of financial and programme risk. CAAS (Cost Assurance & Analysis Service) Approvals Team help define specific estimating and scheduling evidence requirements to underpin business cases in accordance with HMT Aqua Book Guidance[2]. This is delivered throughout the lifecycle of programmes continually developing and improving the accuracy of estimates as the project becomes more mature, and its risks fully identified.

3.3 The department accepts that supplier underperformance has been a factor on some programmes, but the use of Firm Price contracts, Liquidated Damages, Single Source regulation reform and other measures have been effective in limiting exposure to cost increases. These measures have resulted in the financial liability for cost over-runs being borne by suppliers. Industry has posted significant losses on contracts (for example the development and production contract for A400M aircraft) as a result of work delivered by MOD programme teams to best understand where financial risk and liabilities rightfully sits between the department and supplier. The practice of government funding the development costs of new capability is well-established across the world. Demanding that most of the upfront development costs are funded by industry before a commitment is made to buy equipment would reduce investment in cutting-edge capability, damage UK industry competitiveness, and runs counter to the policy set out in the DSIS.

3.4 In addition to delivering military capability to the Armed Forces, Equipment Plan investment brings economic benefit, supporting over 200 thousand UK jobs and generating intellectual property (IP) that can be exploited by UK industry in exports. The generation of

[1] HMT Accounting Officers Assessment Guidance (2021) page 8

cutting-edge IP naturally leads to technically challenging and higher risk programmes as the Department strives to maintain operational advantage, while industry also seeks to offer market-leading equipment both for domestic export use.

3.5 The Department will write to the Committee by the end of May 2022 setting out evidence of how it holds its suppliers to account and fairly and responsibly apportions risk and reward across its contracts.

4: PAC conclusion: The Department continually fails to learn from its mistakes.

4: PAC recommendation: The Department should provide the committee with a clear plan on how it will draw on LFE and how its SPP and associated initiatives will generate the level of savings that would be expected from work that is intended to transform the procurement of hundreds of billions of pounds of equipment.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2022

4.2 Although the department agrees with the Committee's recommendation it does not agree with the Committee's conclusion. The department has a track record of delivering savings; the underlying cost of the Defence Equipment & Support (DE&S) managed element of the Equipment Plan has reduced by £5.4 billion since 2015, excluding Foreign Exchange or Front-Line Customer requirement changes. £5.7 billion of independently assured efficiencies have also been realised by DE&S since 2015.

4.3 Systems are in place to identify and share lessons as programmes are delivered and the department is working hard to ensure that Learning from Experience (LfE) information becomes increasingly standardised. The National Audit Office (NAO) report specifically commented favourably on some of the improvements that the department has made including the use of industry leading tools and processes for managing project delivery. DE&S, the MOD's principal project Delivery Agent, has recently successfully achieved ISO9001 certification and the independent national certifying body commented specifically on the strong business information that drives performance throughout the portfolio and the continuous improvements that the organisation undertakes.

4.4 The most complex programmes are subject to regular deep dives by the department's most senior staff, providing support and challenge to SROs. MOD executives also regularly meet with industry chief executives of some of the most demanding projects.

4.5 In 2018, the department established a Strategic Partnering Programme (SPP) which is based on good practice principles, transparency and sharing of data and lessons between supplier and commissioner. Category management, also mentioned positively in the NAO report, is in place to support the MOD to deliver £628 million of cashable savings through more efficient ways of working.

4.6 The department is also implementing an Acquisition and Approvals Transformation Programme to improve programme delivery and embed continuous improvement. Proportionate, tailored, risk-based approaches to acquisition are being developed to drive increased pace while maintaining rigour in investment decision-making.

5: PAC conclusion: The Department will not secure a step change in performance until it can recruit and retain the highly skilled staff that it requires.

5: PAC recommendation: The Department and HM Treasury should write to the committee within the next six months setting out how together they will address the gap in skills that it needs for effective contract and supplier management; making the Department competitive in specialist labour markets; and improving retention. In its letter, the Department should also set out what more it will do to get greater continuity in the SRO role, including where feasible a single SRO for the lifetime of a project, and to recognise the role's fundamental importance to delivering military capabilities effectively. The Department should specifically be clearer for military SROs about the scope and ambition for more back-to-back tours, and about how performance in the SRO role will be assessed and is relevant to career paths. For civilian SROs the Department should include specific comment on the scope for more use of fixed-term assignments to ensure that SROs are suitably invested for in the long-term.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2022

5.2 The department acknowledges that the there is a highly competitive UK market for project delivery skills ranging from experienced project managers, project controls, commercial, and engineers and this is compounded by national shortages and a large UK infrastructure portfolio of work where both public and private sector organisations are in competition for this talent. Noting these challenges, the department has given some freedoms to the professional delivery organisations such as DE&S and the Submarine Delivery Agency (SDA) to help them compete in a demanding UK market for these highly sought-after skills.

5.3 Regarding Project and Contract leadership skills the department will build on its successful participation in the cross-government Cabinet Office sponsored Major Project Leadership Academy and Cabinet Office Contract Management training programme and its ongoing work to recruit and retain expert and specialist resource.

5.4 The department recognises the need to balance time in post for SROs and the need to match leadership with the phase of the project. The department is fully committed to Cabinet Office ambition of ensuring SROs spend at least 50% of their time on their GMPP projects and are working across Defence to increase capacity. The department's Project Delivery function is introducing specific talent and career management for MOD SROs, across both military and civilian postings, to ensure that the right SRO is in place for the right amount of time. The department is investigating a range of options to reduce SRO turnover, including minimum tour lengths aligned to the delivery of key project milestones, rank-range postings, fixed term contracts, retention allowances and the creation of a talent pool.

6: PAC conclusion: The Department continues to be unclear about what additional capability the taxpayer will get from the extra £16.5 billion in the 2020 Spending Review.

6: PAC recommendation: The Committee expects to see absolute clarity in the Equipment Plan 2021–2031 about what additional capability the Armed Forces is getting for the additional £16.5 billion and how it has secured the long-term affordability of the Plan. It should clearly distinguish between new capabilities and those already in development.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2022

6.2 Although the department agrees with the Committee's recommendation, it does not agree with the Committee's conclusion. The £16.5 billion extra funding from Spending Review 2020 will support the aims and priorities outlined in the Integrated Review to better counter developing and future threats. Further detail and a breakdown of the £16.5 billion will be provided in the upcoming equipment plan report for publication in February 2022, with a clear distinction between investment in new capabilities and managing the existing shortfall reported in our previous updates. As usual, this will be published alongside the NAO report.

6.3 Recognising the time taken to compile this significant edition of the Equipment Plan, the department has provided updates to the Committee following the publication of the Defence Command Paper in March 2021. The department wrote to the Committee on 22 June with detail of the investments and savings taken through the Integrated Review. The department wrote again to the Committee on 14 September 2021 in response to the Committee's report on equipment contracts and set out more detail on the new capabilities which will cover.

Twenty-Third Report of Session 2021-22

Department of Health and Social Care

Test and Trace - Update

Introduction from the Committee

NHS Test and Trace Service (NHST&T) was set up in May 2020 as part of the Department of Health and Social Care (the Department). It provides: COVID-19 polymerase chain reaction (PCR) testing, where results are processed in laboratories, primarily for people with symptoms; and lateral flow device (LFD) testing, which give results in around 30 minutes and are used to identify people with COVID-19 who are not showing symptoms. Working with local authorities, it contacts people who have tested positive and their recent contacts to advise them to self-isolate, as well as providing telephone monitoring and support during the self-isolation period. It also supports the UK's work on genomic sequencing of some PCR tests to track variant forms of COVID-19 and carries out other research and data analysis through the Joint Biosecurity Centre. NHST&T estimates that it spent £13.5 billion in 2020–21, an underspend of £8.7 billion against its budget. By the end of May 2021, NHST&T had dispatched 691 million lateral flow tests, with 96 million (14%) results registered. On 24 March 2021, the government announced that NHST&T would form part of the newly created UK Health Security Agency (UKHSA). This transition is due to be complete by the end of October 2021.

Based on a report by the National Audit Office, the Committee took evidence on Thursday 08 July from the Department of Health and Social Care, UK Health Security Agency and the former Head of NHST&T. The Committee published its report on 27 October 2021. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Test and Trace in England - Progress Update – Session 2021-22 (HC 295)
- PAC report: Test and Trace - Update – Session 2021-22 (HC 182)

Government response to the Committee

1: PAC conclusion: NHST&T has not achieved its main objective to help break chains of COVID-19 transmission and enable people to return towards a more normal way of life.

1: PAC recommendation: UKHSA should set out in detail its objectives and the impacts it aims to secure, and publish, by the end of December 2021, a performance management framework which:

- ***supports delivery of a comprehensive plan of activities to deliver its overall objectives;***
- ***includes specific published targets and metrics for each major area of activity; and***
- ***captures speed, reach and compliance measures across the whole test and trace process from experiencing symptoms to complying with requirements to self-isolate.***

1.1 The government agrees with the Committee’s recommendation.

Target implementation date: Spring 2022

1.2 The government does not accept the Committee’s conclusion that NHS Test and Trace had not helped to break chains of transmission nor enabled people to return to a more normal way of life. In September 2021, the government published the Canna Model which estimates that, since August 2020, the transmission reduction from test, trace and self-isolation varied over time from 10% to 28%. In its COVID-19 Response: Summer 2021, the government set out how continued take-up and compliance with the test, trace and isolate system would be essential to supporting the country in living with the virus through autumn and winter, and in its COVID-19 Response: Autumn and Winter Plan 2021 confirmed that the test, trace and isolate system is reducing the number of positive cases mixing in the community.

1.3 NHS Test and Trace developed a performance framework in summer 2020 and has continued to adapt it as the government’s plans and objectives for its services have developed during the course of the pandemic. The UKHSA regularly publishes performance information and supporting methodology covering the latest information available and has continued to adapt it as the government’s plans and objectives for its services have developed during the course of the pandemic.

1.4 Once the funding from the Spending Review 2021 has been agreed, the UKHSA will publish its three-year strategic plan, updated annually, setting out how it will use the resources it receives to achieve the objectives set for it across the full range of its activities. The UKHSA’s first strategic plan will cover the years 2022-23 to 2024-25.

2: PAC conclusion: Uptake of NHST&T’s services by the public is variable, and some vulnerable groups are currently much less likely to engage with it

2: PAC recommendation: The Department and UKHSA should write to the Committee, by the end of November, setting out which groups are most underrepresented in its testing programme and what plans it has to drive up public engagement with NHST&T, with particular focus on these groups.

2.1 The government agrees with the Committee’s recommendation.

Recommendation implemented

2.2 The UKHSA wrote to the Committee on 16 December 2021 providing more details on which groups are underrepresented, its targeted community testing programme (which is specifically designed to help reach these groups) and the steps taken to drive up engagement and ensure testing is accessible.

2.3 As the majority of the data used comes from self-reporting, the UKHSA cannot set out the precise levels of engagement among different groups. However, based on research, data and insight from local government, and voluntary and community sector partners, the UKHSA has identified disproportionately impacted and underserved groups as priorities for improving engagement. These include:

- people in areas of social economic deprivation
- those in high-risk occupations
- residents in multi occupancy households
- Black, Asian and other minority ethnic groups
- people experiencing homelessness or rough sleepers
- migrants, asylum seekers or refugees
- Gypsy, Roma Traveller communities

2.4 To drive up engagement, the UKHSA has delivered targeted communications and campaigns to these groups and made testing more accessible. Through the targeted community testing programme, local authorities and their partners draw on local knowledge to reach underrepresented groups. This approach has taken testing to the heart of disproportionately impacted and underserved communities that may not otherwise actively seek out services. Further detail is set out in the UKHSA's letter to the Committee of 16 December 2021.

2.5 As the UK moves through the next stages of the COVID-19 pandemic, the UKHSA will continue to refine its approach to data collection, drive up engagement and ensure that all COVID-19 services remain as inclusive as possible.

3: PAC conclusion: NHST&T has focussed on getting programmes up and running and paid less attention to ensuring these programmes delivered the benefits they promised.

3: PAC recommendation: UKHSA should clearly set out how it plans to deliver the benefits expected from the funding it receives from the forthcoming spending review. This should be informed by an evidence-based understanding of the actual benefits delivered by its major areas of spending to date, as measured against the intended outcomes.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2022

3.2 Given the nature of the pandemic, UKHSA has focused on rapidly establishing programmes to deliver on the government's response to the pandemic, including breaking chains of transmission, protecting vulnerable groups, and enabling economic and social activity. It has developed and published the Canna Model which estimates the benefit of its programmes in terms of breaking chains of transmission and publish regular performance data on its programmes. The UKHSA continues to strengthen its evaluation of programme benefits.

3.3 In its Autumn Budget and Spending Review 2021 on 27 October 2021, the government allocated £9.6 billion over the period 2022-23 to 2024-25 for key COVID-19 pandemic programmes and related health spending, including a testing operation and essential surveillance managed by the UKHSA. The government will set out further detail about its approach to allocating this funding between programmes in due course.

3.4 Once this funding has been agreed, in accordance with its Framework Agreement with the department, the UKHSA will receive an annual remit from ministers and produce a three-year strategic plan, updated annually, setting out how it will use the resources it receives to achieve the objectives set for it across the full range of its activities. The UKHSA's first strategic plan will cover the years 2022-23 to 2024-25.

4: PAC conclusion: NHST&T's approach to laboratory and contact centre usage is still not flexible enough to meet changing demand and risks wasting public money.

4: PAC recommendation: UKHSA should establish and monitor clear utilisation targets for both the laboratory and contact centre capacity it pays for. In January 2022, it should write to the committee to provide an update for laboratory and contact centre utilisation for the first 9 months of 2021–22.

4.1 The government disagrees with the Committee's recommendation.

4.2 The laboratory network for PCR (polymerase chain reaction) testing is designed to have sufficient capacity to operate on a 24/7 basis with maximum utilisation of 80% to allow for routine training, maintenance and repair. Operating beyond this 80% utilisation level increases turnaround times for test results and is the level at which there is a risk to quality of service. This significantly reduces the benefits of testing both in health protection terms and as a way of enabling people who test negative to resume normal activities.

4.3 Demand for PCR tests fluctuates significantly. Setting a minimum utilisation target that applies uniformly across a given time period would mean either setting that target at such a low level that it would not be meaningful or having a target that it was not possible to meet on days or weeks of lower demand without artificially stimulating demand for testing leading to unnecessary costs.

4.4 A significant proportion of the laboratory network is contracted on a flexible basis, which means that the UKHSA does not incur costs if tests are not processed. There is not, however, sufficient commercial capacity of the required standard to fully meet projected demand for PCR testing, so it is also essential to retain the core Lighthouse Laboratory network.

4.5 The contact centres that form part of the NHS Test and Trace service are resourced to meet forecast demand. As demand fluctuates from day to day, it is not possible to predict exactly what number of agents should be on shift to meet a set utilisation target. The UKHSA closely manages the performance and utilisation of its contact centres.

4.6 The UKHSA will write to the committee in January 2022 to provide an update on laboratory and contact centre utilisation, including the recent surge in demand. This will cover the first 9 months of 2021-22 and the actions the UKHSA is taking to ensure that capacity in both these areas remains as closely matched to demand as possible.

5: PAC conclusion: NHST&T's continued over-reliance on consultants is likely to cost taxpayers hundreds of millions of pounds.

5: PAC recommendation: UKHSA should write to the Committee by the end of November 2021 detailing how it will reduce its dependency on consultants and write to us again in March 2022 and June 2022 setting out its progress against this.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: June 2022

5.2 The UKHSA wrote to the Committee on 16 December 2021 setting out how it has reduced its dependency on consultants.

5.3 The UKHSA continues to recruit civil servants to replace remaining management consultants as far as possible. COVID-19 response roles are generally offered on the basis of short-term loans, secondments and fixed term appointments to avoid a permanent increase in the size of the organisation; however, these are often less attractive, which reduces the supply of candidates. Work is underway to determine the strategy for managing future health threats and this will provide the longer-term certainty to enable the UKHSA to develop a sustainable resource plan with the agility to flex resources to reflect changing priorities and demands.

5.4 The UKHSA will write to the Committee with further progress updates in March 2022 and June 2022.

6: PAC conclusion: UKHSA has still not set out how it would like to work with local authorities, leaving them little time to plan for the new approach.

6: PAC recommendation: The Department and UKHSA must urgently provide clarity to local government and other stakeholders about the future operating model. As part of this, it should ensure local authorities and other stakeholders have the resources to deliver their parts of the process. It should write to the Committee to provide an update on progress by the end of November 2021.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2022

6.2 The UKHSA wrote to the Committee on 16 December 2021 setting out how it continues to work with local government, NHS, the devolved administrations, and other partners and stakeholders and how they are helping to design its future operating model. As set out in that letter, ways of working during the transition to the establishment of the UKHSA have remained in line with pre-existing arrangements to ensure continuity of approach in managing the response to COVID-19 pandemic.

6.3 The Contain Outbreak Management Fund (COMF) is the primary source of funding to support local authorities' public health response to COVID-19 which has distributed £2.1 billion to local authorities in England since June 2020.

6.4 The UKHSA continues to engage directly with local authority chief executives, directors of public health, professional bodies and associated local partners. Once the funding from the Spending Review 2021 has been agreed, the UKHSA will build and strengthen these effective partnerships to create a future operating model that facilitates the co-design of policies and responses on health security.

Twenty-Fourth Report of Session 2021-22

Department for Transport

Crossrail: A progress update

Introduction from the Committee

Crossrail is a complex major programme to run new, direct rail services between Reading and Heathrow Airport at the western ends of the railway, to Shenfield in Essex and Abbey Wood in south-east London at the eastern ends. It is the world's first truly digital railway of its size and scale that will have no peers in the world. Construction work on the programme started in 2009 and tunnelling began in 2012. The majority of major construction work is complete and Crossrail Ltd is now transferring assets, such as stations, to Rail for London Infrastructure (RfLi) and London Underground who, along with Network Rail, will maintain and operate different parts of the railway. When complete, the railway will be around 73 miles (118 kilometres) long, stopping at 41 stations, including 10 new stations and 26 miles (42 kilometres) of new tunnels. Once Crossrail is open, it will become part of Transport for London's (TfL's) underground and overground rail network and be known as the Elizabeth line. The Department for Transport (the Department) and Transport for London (TfL) are jointly sponsoring the programme. Crossrail Ltd is an arm's-length body specifically created to deliver the programme and is wholly-owned by TfL.

This is the fourth time the Committee has reported on the Crossrail programme. The last two reports followed significant cost and schedule increases in 2018. When we last reported in July 2019, programme funding had increased by £2.8 billion to £17.6 billion, and Crossrail Ltd expected the central section of the railway to open between October 2020 and March 2021. Since then, Crossrail Ltd's estimate of the cost to complete the Elizabeth line has increased to £18.9 billion, 28% more than the £14.8 billion budget set in 2010. It expects to open the central section between February and June 2022, with full east-west services beginning either December 2022 or May 2023 to align with National Rail timetable changes.

Based on a report by the National Audit Office, the Committee took evidence on 19 July 2021 from the Department for Transport. The Committee published its report on 29 October 2021. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Crossrail – A progress update – Session 2021-22 (HC 184)
- PAC report: Crossrail – A progress update – Session 2021-22 (HC 299)

Government response to the Committee

1: PAC conclusion: Risks remain to cost and schedule before the railway opens to the public.

1: PAC recommendation: Alongside the Treasury Minute response to this report, Crossrail Ltd should update the Committee on the latest programme plan and the revised forecast cost for the whole programme, and opening date for the central section and the entire railway. For clarity, Crossrail Ltd should provide this information in a similar format to that presented in Figure 11 of the NAO report.

1.1 The government agrees with the Committee's recommendation.

Recommendation implemented

1.2 Delivery of the Elizabeth line is now in its final complex stages. Significant progress has been made across the project. The penultimate stage, Trial Operations, commenced on 20 November 2021 as part of the major railway trials taking place ahead of the Elizabeth line opening.

1.3 The central section between Paddington and Abbey Wood will open in the first half of 2022; with a target date for services from the east and west connecting to the central section in autumn 2022, and full end to end services delivered between December 2022 and May 2023.

1.4 Crossrail Ltd is taking steps to deliver Crossrail within the available funding. Crossrail's current forecast is currently £151 million above the £825 million funding package agreed in December 2020. The programme remains within the £1.1 billion of additional funding identified as necessary by the outgoing Crossrail board announced in August 2020, which the Commissioner has committed to staying within.

1.5 On 12 January 2022, Mark Wild, CEO of Crossrail Ltd wrote to the Committee providing an update on the latest programme plan and the revised forecast cost for the whole programme, and opening date for the central section and the entire railway. Crossrail Ltd provided the information in a similar format to that presented in Figure 11 of the National Audit Office report. The cost and schedule estimates are accurate as of November 2021.

2: PAC conclusion: The collapse in passenger numbers owing to the pandemic, and subsequent bailout to TfL, has complicated how and when TfL and the Greater London Authority will be able to repay the taxpayer loans for Crossrail.

2: PAC recommendation: The Department and TfL should write to the Committee by the end of November setting out TfL's revenue forecast scenarios, and what they mean for whether the loans for Crossrail will be fully repaid and when.

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 Elizabeth line passenger forecasts have been updated and considered against the COVID-19 pandemic recovery scenarios which were generated for Transport for London (TfL) as a whole and outlined in TfL's Financial Sustainability Plan of January 2021. Some of the impacts on Elizabeth line ridership have been compounded by ongoing uncertainties created by the COVID-19 pandemic, including travel to Heathrow airport and international travel not returning as quickly as previously expected, as well as passengers travelling to the central London and Canary Wharf not returning as quickly as previously expected due to the prevalence of working from home. The passenger forecasts and revenue scenarios do not take into account any impacts of the recent Omicron variant of COVID-19 virus.

2.3 The Department for Transport (DfT) and TfL jointly wrote to the Committee on 30 November 2021 setting out further details of TfL's revenue forecast scenarios, and what they mean for whether the loans for Crossrail will be fully repaid and when.

3: PAC conclusion: It is not clear to passengers and businesses when the Elizabeth line will open or what services will be available.

3: PAC recommendation: Crossrail Ltd, TfL and the Department should develop a clear communication strategy to the public to explain when and what Elizabeth line services will be open.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2022

3.2 Crossrail Ltd and TfL have a clear and comprehensive communications strategy in place to ensure that the public who will benefit from the new railway are aware of when and what Elizabeth line services will be open. Certainty on a specific opening date is what customers and businesses want, and to give everyone the ability to accurately plan for the launch an opening date will only be communicated once there is complete certainty that the railway can open safely and reliably.

3.3 All external communication is clear that the opening window for the Elizabeth line continues to be the first half of 2022. This marks the point at which the central tunnel opens to passengers from Abbey Wood to Paddington. The remaining stages will be delivered in a staged approach. In autumn 2022, services from Reading and Heathrow are due to start operating directly to Abbey Wood. At this time services from Shenfield are due to start operating through to Paddington. The final milestone will see full end to end services from Abbey Wood and Shenfield in the east through the central tunnel to Reading and Heathrow in the west open no later than May 2023 to align with National Rail timetable changes.

3.4 There is a comprehensive strategy for communicating the remaining milestones until the Elizabeth line is fully open, which targets customers, businesses and local authorities. This includes the creation of an Elizabeth line launch plan, which is being developed with the department and the Mayor of London's Office.

4: PAC conclusion: We are concerned that TfL and the Department do not have a plan to maximise the long-term, wider economic benefits of Crossrail.

4: PAC recommendation: TfL and the Department should publish a detailed plan before the central section opens for setting out how they intend to maximise the long-term, wider economic benefits of Crossrail, including:

- ***what the benefits are;***
- ***who is responsible for delivering them;***
- ***the levers or support that TfL and the Department require to deliver these benefits; and***
- ***how these benefits will be monitored and reported over time.***

4.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2022

4.2 Benefits management is important to ensure that the benefits are defined, measured, and optimised. Industry approach and best practice to benefits management has developed and matured significantly throughout the lifetime of the Crossrail project.

4.3 The department and TfL have worked to manage the benefits through a comprehensive evaluation study and continued assessment of the value for money and revenue forecasting. Work is nearly complete to bring these components together in a benefits management strategy, jointly developed by TfL and the department, that will clearly define the realised and expected benefits of the project and show alignment to the project outcomes/deliverables. This includes a plan of activities to realise the greatest value and manage risks to realising the benefits. These activities will have clear owners and will be set around a fully defined monitoring programme with associated governance arrangements.

4.4 The benefits management strategy will be owned by TfL and enable them to better manage the direct benefits principally, transport benefits, but also engage with the wider stakeholder community (including the Greater London Authority, local authorities and business community) to ensure that the wider benefits that TfL is not directly responsible for, but which the department has an interest in, are managed and maximised including benefits outside of London and wider benefits such as regeneration.

4.5 TfL plan to publish a detailed benefits strategy before the central section opens in the first half of 2022.

5: PAC conclusion: The Department has still not demonstrated that it is embedding lessons learned into its major programmes.

5: PAC recommendation: The Department should write to the Committee by the end of November detailing what it has changed in its approach to delivering major programmes with its arms-length bodies, giving examples of tangible improvements or impacts on specific projects where possible.

5.1 The government agrees with the Committee's recommendation.

Recommendation implemented

5.2 The department is at the forefront of work across government to develop a lessons management approach in conjunction with its delivery partners following the 2019 'Lessons from Transport for the Sponsorship of Major Projects' report. A comprehensive programme of work is underway to embed lessons across all major transport infrastructure projects and programmes.

5.3 The department wrote a letter to the Committee on 30 November 2021 to provide an update on progress of the overall programme, and specifically outlining the changes in approach that has been implemented in delivering major programmes with its arms-length bodies as a result of this work.

Twenty-Fifth Report of Session 2021-22

Department for Work and Pensions

The Department for Work and Pensions' Accounts 2020-21 – Fraud and error in the benefits system

Introduction from the Committee

The Department for Work and Pensions (the Department) is responsible for the delivery of work, welfare, pensions and child maintenance policy. It serves over 20 million claimants and customers. In 2020–21, the Department spent £212.2 billion on benefits (£111.4 billion excluding State Pension). Benefit payments are susceptible to both deliberate fraud by organised crime groups and opportunistic individuals, and unintended error by claimants and the Department. Both claimants and the Department can also make mistakes, which leads to payments made in error. The Comptroller & Auditor General (C&AG) has qualified the Department's accounts every year since 1988–89 due to material levels of fraud and error in benefit expenditure. The C&AG qualified the Department's 2020–21 accounts for fraud and error in all benefits except State Pension. The Department overpaid £8.3 billion (7.5% of its benefit expenditure excluding State Pension) and underpaid £2.2 billion (2% of its benefit expenditure excluding State Pension) in 2020–21. The Department refers to this as a level of fraud and error of 3.9% across all its benefit expenditure, including State Pension.

The number of benefits cases that the Department needed to administer increased significantly as a result of the COVID-19 pandemic. The number of people on Universal Credit rose from 3 million in March 2020 to almost 6 million by March 2021. It managed this increase in caseload at the start of the pandemic in part by pausing some of the controls used to prevent fraud and error occurring. Since June 2020, the Department has started to adapt or reintroduce those controls.

Based on a report by the National Audit Office, the Committee took evidence on Thursday 9 September 2021 from the Department for Work and Pensions. The Committee published its report on 17 November 2021. This is the government's response to the Committee's report.

Relevant reports

- NAO report: DWP Annual Report and Accounts 2020-21 – Session 2021-22 (HC 422)
- NAO report: Report on Accounts – Session 2021-22
- PAC report: The Department for Work and Pensions' Accounts 2020-21 – Fraud and error in the benefits system - Session 2021-22 (HC 633)

Government response to the Committee

1: PAC conclusion: The scale of fraud and error in the benefit system has almost doubled during the pandemic from what was already the highest rate since records began.

1: PAC recommendation: We again recommend that the Department takes action to achieve a sustained reduction in fraud and error across all benefits. Alongside its Treasury Minute response, the Department must set clear targets for reducing fraud and error, by benefit and risk area, against which progress can be measured, and base these on its planned counter-fraud activities and investments.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2022

1.2 However, the Department for Work and Pensions (the department) disagrees with the assertion of the Committee that the scale of fraud and error across the benefits system was at a record high before the pandemic. Analysis of published statistics shows that the rate of incorrect payments from fraud, error and overpayments across benefits and tax credits was falling prior to the pandemic as Universal Credit was expanded.

1.3 The department has already confirmed its intention to set an overall target for fraud and error reduction once the department was clear on its funding (Treasury Minutes 9 and 26 refer,) though the department will not propose a target for every benefit or risk area. Detailed monitoring will continue to take place through its annual statistical release for fraud and error, however, having multiple fraud and error targets could distract attention from focussing on longer term structural change to deliver best value for money.

1.4 As set out in the written statement of 13 December 2021 announcing a new £510 million investment in counter-fraud funding, the department is determined to take decisive action and bring the collective weight of government to bear on this growing challenge.

2: PAC conclusion: The Department's failure to recover overpayments means billions of taxpayers' money is almost certainly lost.

2a: PAC recommendation: The Department should, as part of its Treasury Minute response, set out what action it is taking to recover the money it has paid out because of fraud or error.

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 The department welcomes the endorsement of action already taken with their proposed recommendation. With reference to recommendation 6 in the Committee's report on the department's accounts 2019-20 and the department's progress report in Treasury Minute 26 (page 171), the department set out its plan on what action it is taking to recover the money it has paid out because of fraud or error. It has already agreed to provide additional information in its annual report and accounts to show the different recovery options, the sums attributable to each method and outstanding debt stock for a full year.

2b: PAC recommendation: The Department should set annual targets for recovering taxpayers' money.

2.3 The government disagrees with the Committee's recommendation.

2.4 The department has an internal forecast for 2021-22 and this will be the case going forward, but an external target will not be set due to the level of uncertainty and variables that impact on the amount of debt recovered. This approach allows the department to ensure that every individual's circumstances are considered, and vulnerable claimants are protected. Government policy on the recovery of debt drives this forecast and is set out in legislation that the department must follow.

3: PAC conclusion: We are concerned by the Department's assertion that it will be unable to demonstrate a reduction in fraud and error in 2021–22.

3: PAC recommendation: The Department needs to demonstrate that its actions are reducing fraud and error. Working with the National Audit Office, it should ensure that by the time of its 2021–22 Annual Report and Accounts it has in place a framework for reporting which allows:

- ***timely reporting of progress, in addition to the annual statistical estimate, to support more responsive action to fraud and error trends;***
- ***a consistent basis for reporting how much money has been lost or saved for the taxpayer as a result of action to prevent fraud and error; and***
- ***supplementary information on how much of the overpayments and underpayments have been detected and how much has been recovered or paid out in arrears.***

3.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2022

3.2 The department welcomes the committee's endorsement of its annual statistical estimate.

3.3 The Monetary Value of Fraud and Error estimates for 2022 are calculated from reviews carried out between November 2020 and October 2021, so not all action taken in 2021-22 will feature in those statistics. This approach represents a gold standard for measuring fraud and error but there are unavoidable time lags associated with its use.

3.4 Further timely insights on fraud and error cannot meet the high standards of an official statistics release, but the department is happy to continue to share with the National Audit Office (NAO) internal fraud and error information drawn via staff fraud referrals, data streams and real-time cyber-resilience. This is sensitive information and cannot be published but sharing this information with the NAO is intended to reassure the Committee that a programme of activity is underway that will eventually be reflected in the published statistics in the years to come.

3.5 The department is already developing an internal measurement and reporting capability to provide estimates of the amount saved for the taxpayer from fraud and error activities.

3.6 The department is not able to report on the flow of new fraud and error coming into the system, which is by its nature unknown.

3.7 The department has data on the volume and value of overpayments, detected and recovered and is exploring the data and processes available to develop a similar approach for underpayments.

3.8 No data can be published until it has been quality assured.

4: PAC conclusion: The Department has lost a grip of Universal Credit overpayments, which account for most of the £3.8 billion increase in fraud and error and are now at the highest overpayment rate of any benefit.

4: PAC recommendation: The Department should, in its Treasury Minute response, set out how it will achieve the target of 6.5%, specifically setting out what it will do, its expected milestones, and its target reductions for every year up to 2027–28.

4.1 The government disagrees with the Committee's recommendation.

4.2 The department cannot commit to setting out a detailed six-year plan in an area which has been seen over the past two years to be extremely uncertain, driven by prevailing economic conditions, changes to caseloads within the benefit systems and external factors that are not in the Department's control. As such the department requires an adaptive and flexible approach to tackle emerging threats, leading to a regular review of plans.

4.3 The department remains committed to the Universal Credit business case which implies an overpayments level of 6.5% for 2027-28, although this is not a formal target and capability is being built within the organisation to spot and target the biggest risks as they emerge.

5: PAC conclusion: The Department was taken by surprise by the significant rise in levels of Universal Credit fraud attributed to self-employment and capital declaration during the pandemic.

5: PAC recommendation: The Department should, within 6 months, set out its plan for tackling the emergent risks of overpayments as a result of capital and self-employment fraud. As part of this, it should clearly set out what it needs to achieve this, such as changes to its systems, additional staffing, access to data or legislative changes.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: October 2022

5.2 The department will continue to use the Annual Reports and Accounts (ARA) to set out its plans to counter fraud. The 2020-21 ARA set out in detail the impact the unprecedented nature of the pandemic had on fraud and error. While the department temporarily eased several of the stringent checks that would normally be in place for those making a claim to Universal Credit (UC), easements, such as the Gainfully Self-Employed tests, have been removed.

5.3 The department has received new funding of £510 million over the Spending Review period. As set out in the written statement of 13 December 2021, part of the money will be used for a targeted review of UC claims to allow the department to systematically review stock UC cases to uncover fraud and error and remove it from the system.

5.4 Additionally, the department continues to work across government to improve access to data and information which will support efforts to tackle overpayments. It will also consider legislative options for additional powers and sanctions to help tackle fraud and error.

6: PAC conclusion: The Department is failing to properly protect taxpayers' money in deciding not to review over 433,000 cases it knows are more at risk of fraud and error.

6: PAC recommendation: The Department should, within 9 months, review the 433,000 claims identified as at risk of fraud and error that were ended prior to retrospective checking by the Department. It should also consider and set out how else it intends to use retrospective checking as part of its efforts to tackle the causes of fraud and error.

6.1 The government disagrees with the Committee's recommendation.

6.2 The department's current assessment is that it would not represent value for money to try and recover closed claims relative to other priorities for action on fraud and error, but choices on resource deployment are regularly reviewed.

7: PAC conclusion: The Department is not sufficiently transparent about the level of fraud which is the result of advances of Universal Credit to which claimants are not entitled.

7: PAC recommendation: The Department should, alongside its annual reporting of fraud and error, monitor and publicly report on the levels of fraud and error arising from advance payments and its progress in tackling this type of fraud.

7.1 The government disagrees with the Committee's recommendation.

7.2 The department is confident in its controls, which have substantially reduced the risk of overpaid advances since the early days of the pandemic. There is a monitoring regime in place which the department has already demonstrated to the National Audit Office.

7.3 The department will explore available data to see if it can strengthen its calculation of the estimate of fraud and error in Universal Credit advances. The department's Annual Report and Accounts will continue to report on its progress in this area, including the amount written off due to advances fraud.

7.4 The department is already working on a new approach in Universal Credit service to prevent suspicious advances from being paid. The department will report progress on this within the Annual Report and Accounts in 2022.

8: PAC conclusion: The Department has not determined how it will use its experience during the pandemic to put in place controls that better prevent and tackle fraud and error.

8: PAC recommendation: The Department should use its learning from the pandemic to improve the cost effectiveness of its controls over fraud and error. In particular, it should, within 6 months, assess the impact of the control easements it employed during the pandemic on fraud and error within benefit expenditure and determine the cost effectiveness of each measure it has (or has not) reintroduced.

8.1 The government agrees with the Committee's recommendation.

Recommendation implemented

8.2 The government welcomes the endorsement of action already taken with their proposed recommendation. The department has already produced an estimate of the fraud and error impact on benefit expenditure of the control easements employed during the pandemic and set out the impact of measures on the Monetary Value of Fraud and Error numbers. Further details are available on page 112 of the department's Annual Report and Accounts 2020-21.

Twenty-Sixth Report of Session 2021-22

Department for Business, Energy & Industrial Strategy, HM Treasury and Cabinet Office

Lessons from Greensill Capital: accreditation to business support schemes

Introduction from the Committee

In Spring 2020, HM Treasury (the Treasury), the Department for Business, Energy & Industrial Strategy (the Department) and the British Business Bank (the Bank) developed several business support schemes to help businesses facing economic challenges as a result of the COVID-19 pandemic. These included the Coronavirus Business Interruption Loan Scheme (CBILS), which supported small and medium-sized businesses with a turnover up to £45 million, and the Coronavirus Large Business Interruption Loan Scheme (CLBILS), which was developed subsequently to support larger businesses with a turnover above £45 million. The loans provided to businesses under the schemes were delivered through commercial lenders such as banks and building societies. The Bank, acting as scheme administrator on behalf of the Department, was responsible for accrediting lenders. Under CBILS, lenders could provide loans up to £5 million; whereas CLBILS offered loans up to £50 million, or up to £200 million for lenders with additional accreditation. These loans attract an 80% guarantee: if the borrower does not repay the loan, the Government steps in and repays the lender 80% of the loan's value. In short, the Department and the Bank did not strike the correct balance between managing decisions quickly and protecting taxpayers interests.

Greensill Capital UK Limited (Greensill), a non-bank lender that entered administration on 8 March 2021, was an accredited lender under both schemes. During the accreditation of Greensill, the Department made several enquiries of the Bank, requesting updates on the status of Greensill's application owing to its relationship with the steel industry via financially struggling Liberty Steel, a part of the Gupta Family Group (GFG) Alliance. In October 2020, the Bank launched an investigation into Greensill's compliance with the CLBILS scheme rules. Greensill lent its maximum allocation of £400 million under CLBILS and £18.5 million under CBILS. The Bank was concerned that Greensill had issued seven CLBILS loans totalling £350 million to companies within the GFG Alliance, six of which were issued on the same day in September, appearing to flagrantly contravene the scheme's £50 million lending cap to groups. The Bank subsequently suspended the government loan guarantees while the investigation is on-going. In the meantime, the government is not obliged to pay Greensill in the event of borrower default. However, if the guarantee is reinstated and the borrowers default on Greensill's loans, the government will be exposed to a maximum liability of £335 million.

Based on a report by the National Audit Office, the Committee took evidence on 22 April 2021 and 22 July 2021 from HM Treasury, the Department for Business Energy and Industrial Strategy, and the British Business Bank. The Committee published its report on 20 November 2021. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Investigation into the British Business Bank's accreditation of Greensill capital – Session 2021-22 (HC 301)
- PAC report: Lessons from Greensill Capital: accreditation to business support schemes – Session 2021-22 (HC 169)

Government response to the Committee

1: PAC conclusion: Government's failure to effectively share intelligence on companies approaching it for support, such as Greensill, puts taxpayer money at increased risk.

1: PAC recommendation: Alongside its Treasury Minute response, the Department should write to the Committee by the end of the year setting out what steps it will take to encourage the sharing of information on companies across government, appropriately balancing commercial and legal sensitivities with the public interest.

1.1 The government agrees with the Committee's recommendation.

Recommendation implemented

1.2 The Department for Business, Energy and Industrial Strategy (BEIS) has written to the Committee on this matter alongside this Treasury Minute.

1.3 BEIS (the department) recognises that sharing information on companies across government and between public bodies can bring benefits for policymaking, service delivery, and efforts to mitigate financial crime. The department already plays an active role in facilitating this practice across government in a sensible and proportionate way, where permitted by law and with regard for the appropriate balance of sensitivities and interests.

1.4 BEIS has raised the importance of this across other departments that are responsible for coordinating business information and will work closely with Cabinet Office and HM Treasury to develop existing processes where necessary, bearing in mind commercial and legal restrictions.

1.5 The department also works closely with its arms-length bodies, including Companies House and the Insolvency Service, on appropriate data sharing, for example in response to fraud in the Bounce Back Loan Scheme.

1.6 The department keeps its internal processes under regular review.

2: PAC conclusion: The Department and the Bank struck the wrong balance between making decisions quickly and protecting taxpayer interests.

2: PAC recommendation: The Bank should write to the Committee by the end of the year setting out how it will better balance between speed of delivery and value for money in future and what trade-offs it is prepared to accept. The response should detail how the Bank will identify these trade-offs early, perform scenario analysis of potential outcomes and take a risk-based approach to its accreditation decisions.

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 The British Business Bank (the Bank) wrote to the Committee on this matter on the 17 December 2021.

2.3 The COVID-19 loan schemes were developed at extreme pace in response to the financial challenges created by the pandemic. It was important that the schemes were accessible to a wide range of lenders, to provide the greatest level of support to UK businesses. Therefore, the Bank – in consultation with BEIS and HM Treasury – streamlined an existing accreditation process to facilitate this speed of delivery.

2.4 Other programmes run by the Bank have been delivered under different circumstances and as such involve different trade-offs between speed of delivery and value for money, reflecting different policy objectives. For example, the Enterprise Finance Guarantee scheme, the forerunner to the COVID-19 loan schemes, did not operate within the context of an economic emergency and the accreditation of new lenders took much longer, generally lasting between three and six months.

2.5 All products under development at the Bank are evaluated and approved by its Executive Product Development Committee and, where appropriate, by the Bank's Board. These processes seek to balance the trade-offs between speed of delivery and appropriate application and accreditation procedures.

2.6 In the development of any future programmes, these processes would be followed, and the Bank will once again take into account government's policy objectives, rigorously balanced against risk and the imperative to manage public money efficiently. These objectives will help to determine how speed of delivery, value for money and a range of other factors are balanced against each other. The Bank's review of its pre-accreditation checks and post-accreditation audits (as set out at Recommendation 3) will also help to inform the development of any future programmes.

3: PAC conclusion: The Bank's approach to due diligence in accrediting Greensill was woefully inadequate.

3: PAC recommendation: The Bank should, by the end of February 2022, review its accreditation process, particularly for non-bank lenders and write to us with the results. The review should include the Bank's approach to:

- ***The principles applied to streamlining an accreditation process, and how post-accreditation checks seek to deal with any risks that arise as a result;***
- ***challenging and verifying information lenders provide regarding who they plan to lend to, and whether their plans raise any red flags;***
- ***alternative evidence sources, including information held by other government bodies such as the Financial Conduct Authority, the Prudential Regulation Authority, and departments; and***
- ***revisiting accreditation decisions in the event of material changes to a lender's or recipients' circumstances with the option to revoke guarantees.***

3.1 The government agrees with the Committee's recommendation.

Target implementation date: February 2022

3.2 The Bank will write to the Committee by the end of February 2022 in line with the Committee's recommendation. The response will detail the range of accreditation processes that were reviewed and adjusted prior to the launch of the Recovery Loan Scheme (RLS), which succeeded the original COVID-19 loan schemes. The Bank will continue to keep its accreditation process under review, for RLS and any future programmes, to ensure they are sufficiently robust.

4: PAC conclusion: The Bank has been insufficiently curious when identifying where money lent through the schemes, including by Greensill, has ultimately gone.

4: PAC recommendation: As a matter of urgency, the Bank should inform the Committee how it ensures that money lent under CBILS and CLBILS supports businesses in the UK and the British economy, how it monitors this in practice, and what action it would take if it discovered funds lent under these schemes have been offshored.

4.1 The government agrees with the Committee's recommendation.

Recommendation implemented

4.2 The Bank has written to the Committee on this matter on 17 December 2021.

4.3 Both the Coronavirus Business Interruption Loan Scheme (CBILS) and the Coronavirus Large Business Interruption Loan Scheme (CLBILS) were designed with the intention of supporting a wide range of businesses, including those not wholly domiciled in the UK, as well as importers, so long as the loans are used in part to the benefit of the UK operations. Under scheme rules, a loan made will not be guaranteed if the borrower does not meet a range of eligibility criteria which determine if they are UK based.

4.4 As delegated schemes, lenders are required to have their own processes and controls in place to ensure that funds are used in accordance with the scheme rules. The Bank's lender audit assurance programme includes testing to verify that UK eligibility criteria are being met. Experience from the first round of audits, which was focussed on loan application processes (including application of scheme eligibility criteria), showed it was effective in remedying identified issues and ensuring lenders took action to improve compliance under the scheme.

4.5 If a lender is found to have failed to properly apply scheme eligibility criteria, the Bank has a range of measures at its disposal to remedy the situation, including the removal of the guarantee.

5: PAC conclusion: We are concerned that the Bank's investigation into Greensill has progressed much more slowly than we would expect given the seriousness of the potential breach.

5a: PAC recommendation: The Bank should complete its investigation as soon as possible and inform the Committee, as a matter of urgency, when it expects to do so.

5.1 The government agrees with the Committee's recommendation.

Recommendation implemented

5.2 The Bank has written to the Committee on this matter on 17 December 2021.

5.3 The Bank's priority is that the investigation into Greensill's lending under the scheme is thorough, in order that a fully informed view can be taken as to whether the CLBILS rules were breached by Greensill. The obligations of the Guarantor remain suspended whilst the investigation into Greensill's lending under CLBILS continues. Whilst the suspension is in place, the Government is not obliged pay out on any claim on the guarantee in respect of CLBILS facilities provided by Greensill.

5.4 In light of the amount of taxpayer money potentially at stake, the Bank's primary concern is that a decision is taken upon a full and informed picture, rather than that a quick resolution is reached. The Bank will inform the Committee when the outcome of its investigation into Greensill's lending has been reached, which is expected to be in the early months of 2022.

5b: PAC recommendation: The Bank should write to the Committee as soon as the investigation has concluded with the outcome it has reached and how it will apply any lessons learned. We expect the lessons learned to include, but not be limited to:

- ***how better sharing of information between public bodies can be achieved;***
- ***the correct balance between pre-accreditation checks, and post-accreditation audits; and***
- ***whether warning signs that lenders are under financial pressure – such as downgrades in credit ratings – amount to a notifiable event that should result in the Bank re-considering past accreditation decisions***

5.5 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2022

5.6 The Bank will inform the Committee when the outcome its investigation into Greensill's lending has been reached, which is expected to be in the early months of 2022.

5.7 To be clear, the Bank is undertaking an investigation into Greensill's conduct as a lender under CLBILS, rather than an investigation into the Bank's accreditation of Greensill to CLBILS. The Bank notes that the National Audit Office (NAO) has examined the accreditation of Greensill to CLBILS and published its findings in its report "Investigation into the British Business Bank's accreditation of Greensill Capital".

5.8 The Bank will address the broader questions the Committee raises with respect to the accreditation process and sharing of information between public bodies in the context of its response to recommendations 3 and 7.

6: PAC conclusion: The Department's enquiries of the Bank during Greensill's accreditation created a damaging perception of interference, though the Bank asserts that this did not affect its judgement.

6a: PAC recommendation: Alongside its Treasury Minute response, the Department should write to the Committee within three months setting out the principles it will apply to future correspondence with the Bank on matters for which the Bank is operationally independent, to minimise any future perception of influence.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2022

6.2 The department is extremely mindful of the need to respect the Bank's operational independence and will always seek to ensure any correspondence with the Bank reflects that, where it applies.

6.3 The Shareholder Relationship Framework Document governs the relationship between the Bank and the Department for Business, Energy and Industrial Strategy's (BEIS) Secretary of State, who is the sole shareholder, and informs how officials from the department and the Bank work together on a day-to-day basis. This document includes a specific undertaking ('Operational Independence Undertaking') which sets out the Bank's independence in respect of operational or commercial matters, though it does not apply to activities undertaken by the Bank's 'Service Arm', such as the COVID-19 programmes. 'Service Arm' activity is governed by a service agreement and matters of operational independence for programmes carried out by the 'Service Arm' are defined in relevant service agreement schedules.

6.4 The Shareholder Relationship Framework Document is currently being updated. As part of this process, consideration will be given to whether any changes are required on the matter of operational independence with respect to 'Service Arm' activity, including with respect to correspondence between the department and the Bank in relation to the delivery of such activity. The department will write to the Committee on the outcome of its considerations.

6b: PAC recommendation: The Treasury should, jointly with the Cabinet Office, set out cross-government principles to create a more routine and transparent way of sponsoring bodies making enquiries of its arms-length bodies.

6.5 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2022

6.6 The government has made a commitment to enhance departmental sponsorship through Action 24 of the Declaration on Government Reform. The 'Sponsorship Code of Good Practice' will deliver on that commitment by supporting departments in transforming the consistency and capability of sponsorship teams. The government will aim to publish the new guidance in 2022.

6.7 Sponsoring departments will be expected to take account of this revised guidance, once available, in how they engage with their arms-length bodies.

7: PAC conclusion: The Government has not yet identified the lessons it will take from its accreditation of Greensill or from its COVID-19 business support schemes.

7: PAC recommendation: The Treasury, the Department and the Bank should jointly work to identify the lessons that need to be learned from its COVID-19 business support schemes and Greensill's accreditation in particular. By July 2022 they should publish a full lessons-learned report on these schemes, outlining how each lesson will be implemented. This will enable it to be better prepared for any future economic shock.

7.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2022

7.2 The government is committed to building on the experience of the COVID-19 loan schemes, which were designed and delivered in the response to extraordinary economic circumstances brought about by the coronavirus pandemic. The government recognises the importance of learning lessons from these schemes to ensure it is as well-positioned as possible to deal with any future economic crisis that might require extraordinary state intervention.

7.3 This will be achieved principally through the full, multi-year evaluation of the schemes, which is being conducted by London Economics and Ipsos MORI. Reports will be published in due course, in line with usual government guidelines. The exact timings will depend on how the evaluation progresses operationally, but it is intended that results will be published no later than Quarter 1 of each year between 2022 and 2024.

7.4 In the meantime, the government will aim to produce a lessons-learned report by Summer 2022. This will draw on any early insights from the evaluation.

Treasury Minutes Archive[3]

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:	176	
Recommendations agreed:	161	(91%)
Recommendations disagreed:	15	

Publication Date	PAC Reports	Ref Number
August 2021	Government response to PAC reports 1-6	CP 510
September 2021	Government response to PAC reports 8-11	CP 520
November 2021	Government response to PAC reports 7,13-16 (and TM2 BBC)	CP 550
December 2021	Government response to PAC reports 12, 17-21	CP 583
January 2022	Government response to PAC reports 22-26	CP 603

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 response to PAC report [112-119] 1 and 2	CP 210

[3] 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 response to PAC report 1	Cm 9549
January 2018	Government responses to PAC reports 2 and 3	Cm 9565
March 2018	Government responses to PAC reports 4-11	Cm 9575
March 2018	Government responses to PAC reports 12-19	Cm 9596
May 2018	Government responses to PAC reports 20-30	Cm 9618
June 2018	Government responses to PAC reports 31-37	Cm 9643
July 2018	Government responses to PAC reports 38-42	Cm 9667
October 2018	Government responses to PAC reports 43-58	Cm 9702
December 2018	Government responses to PAC reports 59-63	Cm 9740
January 2019	Government responses to PAC reports 64-68	CP 18
March 2019	Government responses to PAC reports 69-71	CP 56
April 2019	Government responses to PAC reports 72-77	CP 79
May 2019	Government responses to PAC reports 78-81 and 83-85	CP 97
June 2019	Government responses to PAC reports 82, 86-92	CP 113
July 2019	Government responses to PAC reports 93-94 and 96-98	CP 151
October 2019	Government responses to PAC reports 95, 99-111	CP 176
January 2020	Government response to PAC 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

Publication Date	PAC Reports	Ref Number
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 reports	CP 313
February 2020	Session 2010-12: updates on 2 PAC reports Session 2013-14: updates on 1 PAC report Session 2015-16: updates on 3 PAC reports Session 2016-17: updates on 14 PAC reports Session 2017-19: updates on 71 PAC reports	CP 221
March 2019	Session 2010-12: updates on 2 PAC reports Session 2013-14: updates on 4 PAC reports Session 2014-15: updates on 2 PAC reports Session 2015-16: updates on 7 PAC reports Session 2016-17: updates on 22 PAC reports Session 2017-19: updates on 46 PAC reports	CP 70
July 2018	Session 2010-12: updates on 2 PAC reports Session 2013-14: updates on 4 PAC reports Session 2014-15: updates on 2 PAC reports Session 2015-16: updates on 9 PAC reports Session 2016-17: updates on 38 PAC reports Session 2017-19: updates on 17 PAC reports	Cm 9668
January 2018	Session 2010-12: updates on 2 PAC reports Session 2013-14: updates on 5 PAC reports Session 2014-15: updates on 4 PAC reports Session 2015-16: updates on 14 PAC reports Session 2016-17: updates on 52 PAC reports	Cm 9566
October 2017	Session 2010-12: updates on 3 PAC reports Session 2013-14: updates on 7 PAC reports Session 2014-15: updates on 12 PAC reports Session 2015-16: updates on 26 PAC reports Session 2016-17: updates on 39 PAC reports	Cm 9506

Publication Date	PAC Reports	Ref Number
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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