



HM Treasury

Treasury Minutes

Government Response to the Committee of Public Accounts on the Forty-second to the Forty-seventh reports from Session 2022-23



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

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Government response to the Committee of Public Accounts Session 2022-23

Report Title	Page
Forty-second report: The Restart Scheme for long-term unemployed people Department for Work and Pensions	2
Forty-third report: Progress combatting fraud Home Office	8
Forty-fourth report: Digital Service Tax HM Revenue and Customs, HM Treasury	13
Forty-fifth report: Department for Business Energy and Industrial Strategy Annual Report and Accounts 2021-22 Department for Business and Trade	17
Forty-sixth report: BBC Digital BBC	23
Forty-seventh report: Investigation into the UK Passport Office Home Office	24

Forty-second Report of Session 2022-23

Department for Work and Pensions

The Restart Scheme for long-term unemployed people

Introduction from the Committee

The Department launched Restart in June 2021, in response to the expected surge in long-term unemployment in the wake of the COVID-19 pandemic. Restart was designed to “provide intensive and tailored support to more than one million unemployed people and help them find work”. On Restart, the Department refers unemployed claimants to employment support ‘providers’ who have a more systematic and intense approach to getting participants into work than the Department offers in a jobcentre. The Department purchased space for 1.4 million participants from eight prime contractors across 12 contract areas in England and Wales at a cost of £2.6 billion, though it expected demand for the scheme to be far higher than the amount of space it had purchased. The contracts are hybrid ‘payment by results’ contracts, which means the amount of money that each provider receives depends largely on the number of people moving into sustained work, although there is also a fixed delivery fee.

Shortly after Restart launched, the Department realised that its work coaches were referring far fewer people to the scheme than it had expected. In response, the Department widened the eligibility criteria for the scheme to increase the number of people who would be referred, and renegotiated the contracts. The Department now expects Restart contracts to cost £1.68 billion and that around 692,000 people will start on the scheme.

Based on a report by the National Audit Office, the Committee took evidence on Monday 12 December 2022 from the Department for Work and Pensions. The Committee published its report on 22 March 2023. This is the government’s response to the Committee’s report.

Relevant reports

- NAO report: [The Restart scheme for long-term unemployed people](#) – Session 2022-23 (HC 936)
- PAC report: [The Restart Scheme for long-term unemployed people](#) – Session 2022-23 (HC 733)

Government response to the Committee

1. PAC conclusion: The impact of Restart will only be clear through transparent reporting and thorough evaluation.

1. PAC recommendation: The Department should detail in its Treasury Minute response the information it plans to make public about the Restart scheme, while it is live and after it has completed its evaluation. This response should ensure that stakeholders, academics, parliament, and the public can regularly obtain details about how Restart is performing, can make informed comment about how the Department can build upon its contracting and management, and can peer review the evaluation of the scheme.

1.1 The government agrees with the Committee’s recommendation.

Recommendation implemented

1.2 The Department for Work and Pensions (the department) released an ad hoc [publication on the Restart Scheme](#) in December 2022 and is now publishing regular six-monthly statistics, which started in June 2023.

1.3 The department has commissioned the Learning and Work Institute (LWI) and market researchers Ipsos to undertake evaluation of the Restart Scheme. Departmental analysts are undertaking the Restart impact evaluation. Decisions around publication will be made in due course.

2. PAC conclusion: The Department has ended up paying more per Restart participant than for previous similar schemes, because it had to pay providers to rapidly build up capacity from a standing start and then did not need all that capacity.

2a. PAC recommendation: In its Treasury Minute response to this report, the Department should set out what lessons it has learnt from Restart about how it can better expand and reduce capacity for employment support as it is needed, at better value to the taxpayer.

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 Restart was designed in a very uncertain economic outlook. The economic downturn and sudden unemployment increase in 2020 required a rapid response. A significant expansion of support was put in place at pace, scale, and within a value for money assessment, using market knowledge and the full range of mechanisms available, including expanding existing contracts and letting new ones.

2.3 The department's contract mechanisms enabled a rapid and effective response to significant changes in volume expectation without compromising service quality or delivery. The department retained value for money and negotiated cost reductions above that which would have otherwise accrued.

2.4 The department learned however that the level of uncertainty should drive consideration of a broader range of scenarios, and how provision can adapt. It learned its assumptions regarding proportions of people that can be suitable for programmes can be inaccurate, and it needed to better understand the basis of its assumptions to inform future provision capacity. The department will do this by implementing the actions set out throughout this Treasury Minute to improve its capabilities, as well as ensuring the department assesses systematically the risks and opportunities associated with contingency planning for future exceptional economic events, for example, the advantages of additional flexibility in contracts and the trade-off with extra costs.

2.5 The department recognises that a responsive model is important because levels of contracted provision vary over time to reflect the level of need linked to the economic cycle and government priorities. That is also true of numbers of work coaches providing support in jobcentres.

2b. PAC recommendation: This should include an assessment of what standing capacity and capabilities it needs and whether it can better maintain the market between economic shocks.

2.6 The government agrees with the Committee's recommendation.

Recommendation implemented

2.7 The department agrees it is important to have a mix of provision available in order to ensure it can effectively pivot to tackle emerging issues.

2.8 The department's assessment is that the present level of contracted employment support represents an appropriate response to the current labour market challenges and offers value for money with a good balance of market engagement and provider capacity.

2.9 The government will further assess the standing capacity and capability of the market in line with government priorities and its commitment to achieving value for money as part of future Spending Review decisions and as part of regular fiscal event updates in the event of significant forecast economic change. Such assessment will also recognise the impact on the market of other organisations such as Devolved Administrations, Local Authorities and Mayoral Combined Authorities.

3. PAC conclusion: The Department and providers are not working together and sharing information as effectively as they might to support participants into work.

3a. PAC recommendation: The Department should ensure work coaches and Restart provider advisors always have access to key information about participants and their barriers to work, as well as the activities that participants have agreed with either their Restart provider or the Department to help move them into work.

3.1 The government agrees with the Committee's recommendation.

Recommendation implemented

3.2 Information sharing is reviewed as part of continuous improvement, which includes reflecting on the National Audit Office (NAO) and internal findings. There is an [existing expectation](#) that information is shared between work coaches and providers. Two areas that have been reviewed are Warm Handovers (WHO) and relationships between participants, jobcentres and providers.

3.3 Claimants are referred to Restart following a WHO call between the potential participant, provider and work coach. The WHO enables parties to ask questions, discuss concerns and share information.

3.4 The provider and participant complete a diagnostic assessment to help build a relationship and start to identify barriers, issues and goals which feed into the participant's bespoke action plan.

3.5 Two and three-way conversations are available throughout the participant's Restart Scheme journey and can be requested by any party. These supplement other arrangements for engagement which may include regular meetings between providers and jobcentre representatives and provider presence in the jobcentre. The work coach notifies providers where a Restart participant's circumstances change, including personal information, employment status, or circumstances impacting on their benefit conditionality or scheme participation.

3.6 Reviews of the information sharing processes have resulted in reminders via Operational Forums and Performance calls that WHOs should be in person where possible and work coaches should ensure support needs are met for participants with complex needs, including translation requirements. A communications framework has also been developed to support jobcentre and provider engagement, which has been cascaded across the organisation and resulted in improved relationships.

3b. PAC recommendation: The Department should undertake a review into how frequently participants are required to attend jobcentres while they are on Restart, to ensure attendance requirements on participants achieve the maximum value for money.

3.7 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2024

3.8 The department's current approach is based on previous evidence that removing or reducing work coach contact whilst someone is on a programme can damage outcomes by slowing down the movement into work.

3.9 The department intends to test reducing the current frequency of contact and review the impact.

4. PAC conclusion: The Department did not know enough about its claimants to understand what support they needed and how many eligible claimants would go on to participate in Restart.

4a. PAC recommendation: The Department should set out how it will improve its record keeping so that barriers to work faced by a claimant, such as language difficulties or health conditions, are recorded and can be aggregated in the Universal Credit system to understand the type and scale of support the Department needs to provide, and so that providers have the best possible understanding of how they can help participants.

4.1 The government agrees with the Committee's recommendation.

Recommendation implemented

4.2 The department has introduced improvements, most recently in March 2023, within the Universal Credit system to record more information on claimant's circumstances and potential barriers. This information can include a broad range of factors including whether the claimant:

- is homeless
- is an ex-offender
- has addiction to drugs or alcohol
- has caring responsibilities
- has relevant health conditions or disability

In addition to competence information including:

- language
- digital skills and access
- confidence in work-search skills

4.3 Data may be collected as part of the work coach interaction with a claimant to help support work search planning and relies on claimants voluntarily providing information about their circumstances. However, as the improvements have recently been made, the department will need to monitor use of this data.

4.4 At this stage it is unclear whether aggregation would make programmes such as the Restart Scheme any more efficient as they are in any event predicated on bespoke action plans between providers and participants. Such information can change regularly and is not a way of defining the needs of an individual. Participants who might share similar characteristics

still require bespoke action plans to reflect how any barrier actually affects them and their ability to find work.

4b. PAC recommendation: The Department should seek to establish the level of capacity that it will require for future employment support provision before contracting for that provision, by running pilots of the provision or trials to assess the likely level of take up.

4.5 The government agrees with the Committee's recommendation.

Recommendation implemented

4.6 The department agrees it can sometimes do more to test assumptions prior to procurement, for example on suitability, and that pilots and trials can sometimes have a key role in informing policy and delivery alongside evaluation and lessons learned from previous programmes. In determining the right approach, the department needs to assess and balance the risks and opportunities.

4.7 Trialling new or novel approaches can add value but relies on a risk judgement against the time taken to secure the evidence and the likely value of any new insight. For a reasonably sized trial it could take up to two years to complete the design and procurement, gather evidence and subsequently undertake an evaluation to feed into new policy. This often does not align with the need for government to mobilise an urgent response to an economic shock, meaning a proper trial may not be appropriate in all circumstances.

4.8 Quicker testing can be undertaken on, for example, confirmation of take-up assumptions for provision that is similar to existing or previous approaches.

5. PAC conclusion: The Department does not understand how well each of the individual 77 providers are delivering Restart compared to their peers.

5. PAC recommendation: While Restart is running, the Department should do more to collate and assess how individual providers are performing to increase transparency and competition between providers, and to identify pockets of best practice that might otherwise be lost when performance is compiled into a package area level. The Department should then seek to use this information as part of its evaluation.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2024

5.2 The department does collate robust Management Information (MI) to assess how providers are performing at Contract Package Area (CPA) level, noting that the department's commercial model holds prime providers accountable for their own supply chains. The department's commitment to continuous improvement, sharing best practice and building on its current processes will be enhanced by the following actions:

- Prime providers will report on a simple return, the subcontractor each participant is assigned to.
- The department will produce the relevant MI centrally, ensuring the methodology is aligned with their current suite of CPA MI.
- Metrics will be: Starts on scheme, First Earnings and Job Outcomes.
- The subcontractor MI for each CPA will be circulated to all prime providers monthly for complete transparency, and to facilitate the sharing of best practice.

- Subcontractor MI will be shared with the evaluation team to be used as part of their process.

5.3 The department's evaluation team already capture qualitative data on prime providers and subcontractors as part of their geographical case studies and use MI to select sites to ensure coverage across urban, rural and coastal areas. Standardising data collection at sub-CPA level will allow more precise focus where trends suggest further exploration is needed to understand delivery issues or good practice. This will be included in the department's evaluation of Restart.

6. PAC conclusion: Many claimants have complex barriers that prevent them from finding work, and some of these barriers may be better addressed through other means than an employment support scheme such as Restart.

6. PAC recommendation: The Department should set out, in its Treasury Minute response:

- ***Its understanding of how complex barriers such as mental health problems and homelessness, which might not traditionally sit with the Department, impact on people's ability to find work and the associated cost of this to society and the exchequer.***
- ***How it will develop and use its knowledge of claimants to help government as a whole to take a joined up and effective approach to overcoming the 'complex barriers' that prevent people from finding and maintaining employment***

6.1 The government agrees with the Committee's recommendation.

Recommendation implemented

6.2 The government set out its plan to improve support to those with complex barriers relating to health and disability in the White Paper [Transforming Support: The Health and Disability White Paper](#) published on 15 March 2023

6.3 The White Paper recognises the need to ensure join up across public services and with employers, to ensure that people receive the most appropriate support to release their potential. An example is the work through the Joint Work and Health Directorate, with Department for Health and Social Care, to extend the Employment Advisers in NHS Talking Therapies services to support more people with mental health issues (paragraph 65 of the White Paper).

6.4 The department also works across government to build support for claimants facing other complex needs, for example with:

- Ministry of Justice, on their [Prisons Strategy White Paper](#). This includes testing ways of starting Universal Credit claims and the claimant commitment in prison
- Department for Education to [support care leavers](#) as they move out of the care system
- Department for Levelling Up Housing and Communities on their [rough sleeping strategy](#), to introduce homelessness leads in every jobcentre.

Forty-third Report of Session 2022-23

Home Office

Progress combatting fraud

Introduction from the Committee

Fraud is defined as an act of dishonesty, normally through deception or breach of trust, with the intent to make a gain or cause a loss of money or other property. In the year to June 2022, nearly 7% of adults in England and Wales experienced actual or attempted fraud. The Home Office estimates the cost of fraud against individuals is £4.7 billion but it does not have a reliable estimate of the cost of fraud against businesses. The Department is ultimately responsible for preventing and reducing crime, including fraud. It works with many other bodies including the National Crime Agency (NCA) and the City of London Police, which is responsible for overseeing Action Fraud, the national reporting service for fraud. In 2021–22, the Department provided funding totalling £33.25 million to City of London Police and the NCA aimed at tackling fraud. The Ministry of Justice has an important role in setting policy on criminal justice for fraud offences and the Crown Prosecution Service prosecutes criminal cases in England and Wales. The Department also needs to engage with other government departments; the finance, technology and telecoms sectors; and international partners, among others. In March 2022, the Department announced plans for a new fraud strategy but at the time we took evidence this had not yet been published.

Based on a report by the National Audit Office, the Committee took evidence on 1 December from the Home Office. The Committee published its report on 31 March 2023. This is the government's response to the Committee's report.

Relevant reports

- NAO report: [Progress combatting fraud](#) – Session 2022-23 (HC 654)
- PAC report: [Progress combatting fraud](#) – Session 2022-23 (HC 40)

Government response to the Committee

1. PAC conclusion: We are disappointed by the slow progress government has made over the last five years in combatting the growing threat from fraud.

1. PAC recommendation: The Department should publish its fraud strategy without delay and specify what impact it will have on strengthening accountability and providing confidence that it is serious about reducing the harm caused by fraud.

1.1 The government agrees with the Committee's recommendation.

Recommendation implemented

1.2 [The Fraud Strategy](#) was published on 3 May 2023 on GOV.UK.

2. PAC conclusion: Despite fraud being the most common crime in England and Wales, government's communications with the public are still not effective.

2. PAC recommendation: The Department should set out, as part of its Treasury Minute response, how it will use the results of the National Crime Agency's (NCA's) research to improve the coherence and impact of its public awareness campaigns on fraud and how it will measure the impact of future campaigns.

2.1 The government agrees with this recommendation.

Target implementation date: Ongoing until spring 2025

2.2 The government has established a fraud focussed strategic communications team at the National Economic Crime Centre (NECC) in the National Crime Agency (NCA) to work across sectors to improve consistency in messaging and establish what communication interventions are most effective and amplify them. The team are undertaking audience insight and behavioural science research. This evidence base will ensure that campaigns can target the right audiences, with the right messages, in the most meaningful way. The research will allow the government to launch and evaluate a new cross government campaign, with clear baselines and metrics for measuring impact.

2.3 The NECC are also working to improve consistency in messaging across stakeholders. They have produced a toolkit to provide organisations with guidance on how to align communications to provide more simple messages to the public.

2.4 City of London Police are also setting up a National Fraud Protect Network. This will be a centrally co-ordinated policing network that will deliver protect advice across the country in line with the communications toolkit.

2.5 The NECC additionally works with stakeholders to produce a forward look calendar, highlighting where campaigns are running simultaneously, enabling stakeholders to coordinate better.

3. PAC conclusion: Victims of fraud are being failed by Action Fraud, which risks undermining public trust in the police.

3. PAC recommendation: The Department should set out, as part of its Treasury Minute response, how Action Fraud's replacement in 2024 will improve the way it engages with victims of fraud and updates them about their case and any plans it has to make improvements in the interim.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2024

3.2 The government is providing £30 million to City of London Police to support the upgrade in the Action Fraud service by 2024. Victims, however, will not have to wait until then before they begin to see improvements in the reporting service and the information and support provided to them. Several improvements to the existing system have already been put in place including:

- increasing the number of staff in the call centre and introducing a new chat bot for the website to handle greater volumes of reports.
- sending cases to forces faster so they can consider whether an investigation should take place.
- web reports are now analysed to identify vulnerable victims so their cases can be prioritised for immediate assessment and one-to-one support.
- roll out of the National Economic Crime Victim Care Unit (NEVCU) service that vulnerable victims are referred to by Action Fraud to help them avoid revictimisation.

3.3 The full replacement service will launch in 2024. This will include a new reporting website that will make it easier for people to report fraud and to access advice on how to protect themselves. Anyone reporting to the new service will also be able to track the progress of their report and receive better updates.

4. PAC conclusion: The Department has failed to support police forces to build the capacity or skills they need to tackle fraud effectively.

4. PAC recommendation: The Department should outline, as part of its Treasury Minute response, how it will increase both the priority of tackling fraud within territorial police forces and the capacity of police forces to investigate cases. The Department also needs to step up its support to police forces to ensure they can tackle fraud more effectively.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: Ongoing until Spring 2025

4.2 The government is increasing law enforcement investigative capacity to tackle fraud. We announced the launch of the National Fraud Squad (NFS) in the Fraud Strategy. This will include over 400 new posts across policing and the NCA by 2025. The NFS will investigate and disrupt more fraudsters through strategic coordination at a regional and national level.

4.3 The NFS will be jointly led by City of London Police (CoLP) and National Crime Agency (NCA). CoLP, as the national lead police force for fraud, will increase its view across wider policing's activity on fraud, disseminating intelligence, promoting best practice and holding forces to account for delivery. NCA, as the operational system lead, will lead operational work across law enforcement, the intelligence community and industry focusing on a more proactive response to tackling fraud. The NFS will share intelligence in real-time to understand the threat and take proactive enforcement action across government and the private sector against the most harmful fraudsters targeting the UK public.

4.4 The revised Strategic Policing Requirement gives greater prominence to fraud. This will focus police efforts to tackle fraud and maximise the output of existing police resourcing, by helping local forces better exploit NCA and CoLP's national capabilities.

5. PAC conclusion: The criminal justice system's current approach to penalising and sentencing fraudsters is insufficient to prevent the UK being seen as a haven for fraudsters.

5. PAC recommendation: The Department should work with partners in government to address the recommendations of the Justice Committee's report Fraud and the Justice System.

5.1 The government agrees with the Committee's recommendation.

Target implementation date (5.3 - independent review): Autumn 2024

Target implementation date (5.4 - Guidance on Failure to Prevent Fraud offence): Spring 2025

5.2 The [government response to the Justice Committee's recommendations](#) was published on 11 January 2023: The Justice Committee's recommendations helped shape the Fraud Strategy, which details the steps the government is taking to fight fraud.

5.3 A new independent review into the challenges of investigating and prosecuting fraud will consider a number of the Justice Committee's concerns, including modernising the disclosure regime for cases with large volumes of digital evidence. While sentencing is a matter for the independent Sentencing Council and the courts, the review will consider whether fraud offences and the Fraud Act 2006 meet the challenges of modern fraud, including whether penalties still fit the crime.

5.4 The Justice Committee also made recommendations regarding corporate accountability and the government recognises that the current law on Corporate Criminal Liability does not adequately hold organisations and their senior persons to account for offences committed by the corporation. On 11 April 2023, the government tabled a new Failure to Prevent Fraud offence under the Economic Crime and Corporate Transparency Bill. A large organisation will be liable to prosecution where fraud was committed by an employee, for the organisation's benefit, and the organisation did not have reasonable fraud prevention procedures in place. The new offence will help to protect victims and cut crime by driving improved fraud prevention procedures in organisations and by holding organisations to account through prosecutions if they profit from the fraudulent actions of their employees. The government is giving law enforcement and prosecutors the powers to tackle organisations that defraud consumers, investors, other businesses and the taxpayer. The Bill is expected to gain Royal Assent later in 2023. The government will then publish guidance setting out reasonable fraud prevention measures before the new offence comes into force.

6. PAC conclusion: The Department's reliance on voluntary charters does not produce a strong enough incentive for industry to rapidly improve its response to fraud.

6. PAC recommendation: The Department should set out, as part of its Treasury Minute response, how voluntary charters will contribute to its fraud strategy, including what changes it expects to see as a result of the charters, by when these will be achieved and what action it will take if they are not.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: Ongoing until Spring 2025

6.2 Tackling fraud requires government, law enforcement and different industry sectors to work collaboratively towards the same aim, harnessing expertise, resources and powers. The sector charters provide the necessary structure to turn goodwill into clear actions to support the overall Strategy goal to cut fraud by 10% by end of 2024.

6.3 The department has seen progress since the launch of the first tranche of Charters. All mobile network operators have implemented firewall solutions to detect and block scam texts reaching consumers. Subsequently, 600 million scam texts have been blocked and reports to the 7726 service where these can be reported have fallen by over 85%.

6.4 In 2022, the Payment System Regulator (PSR) closed a consultation to support the actions to prevent authorised fraud and protect customers in the banking sector charter. The government is now introducing measures in the Financial Services and Markets Bill to allow the PSR to mandate reimbursement to fraud victims. The government is also legislating to give banks the power to delay suspicious payments to help prevent fraud.

6.5 The government will publish further charters, including with the insurance sector by early 2024. Work is underway on the Online Fraud Charter, with the government seeking concrete actions on proposals such as improving reporting, data sharing and transparency.

6.6 The government has appointed Anthony Browne MP as Anti-Fraud Champion to drive work with industry and ensure that companies are incentivised to combat fraud and to explore

all avenues to do so. Delivery of the charters is overseen by the Joint Fraud Taskforce, chaired by the Security Minister.

7. PAC conclusion: The Department has not prioritised developing relationships with international criminal justice agencies.

7. PAC recommendation: The Department should set out, as part of its Treasury Minute response, how it will achieve a step change in the breadth and strength of its international relationships as part of its efforts to tackle fraud.

7.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2024

7.2 The Fraud Strategy sets out how the UK will drive global action on fraud. The government will develop stronger partnerships with international partners to share best practice and work together to reduce fraud globally.

7.3 The government will work more closely with law enforcement, the private sector and the international community to further develop our evidence base and to drive forward greater intelligence and information sharing. This will support co-ordinated and targeted efforts to disrupt fraudsters before they can reach the UK public.

7.4 The government's international work is already underway, and we have established an international working group to identify mutual areas of interest. This engagement will culminate in a Home Secretary chaired Global Fraud Summit in 2024 where we will aim to agree an international co-ordinated action plan to dismantle fraud networks.

Forty-fourth Report of Session 2022–23

HM Revenue and Customs

Digital Services Tax

Introduction from the Committee

HM Treasury and HMRC introduced the Digital Services Tax in April 2020 to capture the value added to major digital businesses by UK users interacting with online marketplaces, social media platforms and search engines. It is a tax on turnover, not profits, for business groups whose revenues from in-scope activities are more than £500 million and where more than £25 million is derived from UK users. HMRC collected £358 million for the year 2020–21 (30% more than forecast due to the unpredictable impact of the COVID-19 pandemic), with 90% coming from five business groups. Digital Services Tax is forecast to raise around £3 billion by 2024–25.

The UK is among many other countries seeking a multilateral solution to concerns about how the international tax system operates for global businesses. In mid-2023 OECD plans for around 140 tax jurisdictions to sign up to ‘Pillar One and Two’ reforms that are intended to allow countries where large multinational businesses derive income to tax them locally. This involves re-allocating some taxing rights over the largest and most profitable multinational business groups from their home countries to the tax jurisdictions where their customers and users are located. When the ‘Pillar One’ reform is introduced, the UK government will retire the Digital Services Tax. Legislation requires the tax to be reviewed by 2025.¹

Based on a report by the National Audit Office, the Committee took evidence on 8 December 2022 from HMRC and HM Treasury. The Committee published its report on 5 April 2023. This is the government’s response to the Committee’s report.

Relevant reports

- NAO report: [Investigation into the Digital Services Tax](#) Session 2022-23 (HC 905)
- PAC report: [The Digital Services Tax – Session 2022-23](#) Session 2022-23 (HC 732)

Government response to the Committee

1: PAC conclusion: HMRC has collected more Digital Services Tax than expected in its first year.

1: PAC recommendation: HMRC should report to the Committee the final revenues for 2020–21 once it has completed its assessments to identify all the revenues for the baseline year of 2020–21, and thereafter report annually on the difference between the tax owed in theory and the amounts actually paid for this and future years (the tax gap).

1.1 The government disagrees with the Committee’s recommendation.

1.2 Digital Services Tax (DST) receipts for 2020-21 are already published within the 2021-22 HMRC’s Annual Report and Accounts as a separate line item within the list of other taxes

¹ The statement regarding the OECD’s plans applies to Pillar One only, Pillar Two should not be included in this sentence

and duties. HMRC will continue compliance activity for 2020-21 returns. The assessments, and any associated litigation may take many years, so it is not practical to commit to future reporting back to the committee.

1.3 Due to the small size of DST receipts, HMRC do not currently produce a separate assessment of the DST tax gap and do not plan to do so as limited analyst resources are better targeted elsewhere. HMRC will include DST as part of the illustrative 'other taxes levies and duties' tax gap published annually.

2: PAC conclusion: HMRC implemented the Digital Services Tax with little cost, and the experience could provide valuable lessons for other new taxes.

2: PAC recommendation: HM Treasury and HMRC should consider what lessons can be learned from the Digital Services Tax's introduction in terms of implementing tax systems efficiently and assessing the proportionality of its impact on taxpayers.

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 HMRC carries out an evaluation on the implementation of all measures that require new or updated systems and processes. This was completed for DST following the implementation of the new return system with lessons learned being considered and applied across HMRC's portfolio of tax policy changes. This includes looking for opportunities to re-use existing solutions and applying proportionate IT changes to drive cost efficiency.

2.3 The government has always said that the optimal solution would be a multilateral solution on reallocation of taxing rights. However, pending a multilateral solution, the government decided to implement a pragmatic interim solution. In line with guidance agreed within the OECD, the DST is focused on the businesses for which the policy concern is considered most relevant and for which administrative burdens are considered most manageable. While the DST is an interim solution, the government keeps tax policy, including the impact of the DST, under constant review.

2.4 The government has since implemented other taxes learning lessons from the design and implementation of DST. Other measures that have used thresholds to target the tax in line with both policy and administrative considerations are the Residential Property Developer Tax and the Electricity Generator Levy.

3: PAC conclusion: There are obvious challenges facing the OECD in implementing the multilateral Pillar One reforms to the planned timetable, which could have major implications for the future of the Digital Services Tax.

3: PAC recommendation: HMRC should update Parliament, within three months of international agreement on implementation of Pillar One, on progress with the implementation of the reforms.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: 2024

3.2 Amount A of Pillar One reallocates taxing rights over 25% of profits in excess of a 10% profit margin of multinational businesses with global revenue greater than €20 billion, from the jurisdictions in which valuable activities are undertaken to the jurisdictions where customers are located. Amount B of Pillar One seeks to simplify and streamline the application of the arm's length principle to baseline marketing and distribution activities with a view to

addressing the needs of low-capacity jurisdictions and reducing the potential for disputes between tax administrations and taxpayers.

3.3 The aim is for the design of Pillar One rules to be finalised in 2023. Amount A will then only come into effect globally after a critical mass of jurisdictions signs and ratifies the multilateral convention. Countries would be required under the convention to remove DSTs once Amount A has come into effect.

3.4 After the multilateral convention has been agreed, Parliament will be able to scrutinise and ratify the convention through normal Parliamentary procedures before Amount A of Pillar One is implemented.

4: PAC conclusion: HM Treasury and HMRC have a vital role in ensuring that the multilateral assurance framework for Pillar One and Pillar Two of the OECD reforms will meet Parliament's desire for accountability and transparency.

4a: PAC recommendation: HM Treasury and HMRC should:

- **alongside the Treasury Minute response to this report, write to the Committee setting out their objectives for the development of the multilateral administrative framework, including audit arrangements,**

4.1 The government agrees with the Committee's recommendation.

Target implementation date: June 2023

4.2 Unlike Pillar One, which is underpinned by a multilateral convention, Pillar Two must be implemented unilaterally in line with OECD Model Rules but with some multilateral aspects such as a standard template information return which can be exchanged between jurisdictions. The government has introduced legislation in Finance (No. 2) Bill 2022-23 to implement Pillar Two rules.

4.3 The wider objectives for the development of the multilateral administrative framework for Amount A of Pillar One are set out in OECD publication of [6 October 2022](#). We will write to the committee with UK's objectives for the multilateral administrative framework, including audit arrangements.

4b: PAC recommendation: HM Treasury and HMRC should:

- **ensure they propose assurance arrangements that will provide the UK Parliament with sufficient accountability and transparency to provide assurance that the Pillar One and Pillar Two reforms are operating effectively, and**
- **set out robust forecasts of expected revenues when details of the new regime are agreed.**

4.4 The government agrees with the Committee's recommendation.

Recommendation implemented

4.5 Once implemented, Amount A will operate within the corporation tax regime and be subject to normal Parliamentary scrutiny. The government has introduced legislation to implement Pillar Two rules, which will be subject to the normal review processes and Parliamentary scrutiny.

4.6 After 7 years of the Multilateral Convention coming into force, a review will be conducted into the implementation of Amount A. If viewed as successful by the parties to the

convention, the turnover threshold would be reduced from €20 billion to €10 billion. The UK would, as a party to the convention, be a part of that review into whether the reforms have been implemented successfully and are operating effectively.

4.7 The forecasted revenues for Amount A will be published in the usual way in a Tax Information and Impact Note after OBR scrutiny, at a future fiscal event.

4.8 The expected revenues that Pillar Two will raise were published in the [Tax Information and Impact Note](#) at Budget on 15 March 2023.

5: PAC conclusion: There is a significant risk that the Digital Services Tax may require extension beyond its intended lifespan, and that this could prompt changes in taxpayer behaviour.

5: PAC recommendation: Ahead of the formal requirement to review the tax in 2025, HMRC should develop a contingency plan for what happens if the Digital Services Tax needs to be extended, including a robust process for addressing non-cooperation with its compliance regime.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: end 2023

5.2 The government is committed to implementing Amount A of Pillar One and repealing DST. Ahead of the implementation of Pillar One, the government will continue to monitor DST as part of usual policy maintenance.

5.3 HMRC has a dedicated DST compliance team working collaboratively with groups to understand their relevant online services and methodologies to identify 'UK Users'. Where HMRC disagrees with a group's position, appropriate compliance activity is undertaken. This will continue to be undertaken if DST is in force longer than anticipated.

5.4 HMRC is enhancing its plans for identifying groups potentially within scope of DST, increasing awareness of DST amongst businesses and addressing the risks posed by groups without a physical presence in the UK that may not regularly engage with HMRC. These plans seek to address the risk of future non-cooperation with the regime and are due to be completed in 2023.

Forty-fifth Report of Session 2022-23

Department for Business and Trade

Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2021-22

Introduction from the Committee

In October 2022 the Department for Business, Energy & Industrial Strategy (the Department) published its most recent annual report and accounts, for the accounting period 2021–22. It reported nearly £139 billion of net expenditure (2020–21: £52 billion) and more than £273 billion of net liabilities (2020–21: £164 billion).

The Department works with 43 other public bodies in its group that it refers to as partner organisations, such as the British Business Bank. Together, these span a wide range of sectors, policy responsibilities and operations. Key activities and expenditure during 2021–22 included continuing to provide financial assistance to businesses impacted by the COVID-19 pandemic. The Department was responsible for government’s business support grant schemes that provided local authorities with nearly £25 billion of COVID-19 grant funding to allocate to eligible businesses since March 2020. Furthermore, the Department provided more than £38 billion for the Bounce Back Loans Scheme, operated by the British Business Bank through commercial lenders, since April 2020. Together these business support schemes were intended to limit damage to businesses and the economy caused by the pandemic.

Material levels of fraud and error in COVID-19 business support grants and loans led the Comptroller and Auditor General to qualify his opinion on regularity in 2020–21. In 2021–22 he did not qualify his opinion, noting that the Department had refined its fraud and error estimates. Nevertheless, the Department estimates fraud and error in the early business support grants to be £985 million (8.4%) and the Bounce Back Loans Scheme to be £1,120 million (8%).

Following the recent Machinery of Government changes, we will expect the conclusions and recommendations made in this report to be addressed by the relevant new Departments.

The Committee took evidence on 5 December 2022 from the Department for Business, Energy and Industrial Strategy. The Committee published its report on 26 April 2023. This is the government’s response to the Committee’s report.

Relevant reports

- PAC report: [Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2021-22](#) – Session 2022-23 (HC 1254)

Government response to the Committee

1. PAC conclusion: The Department does not expect to recoup the majority of the estimated £985m of local authority grant payments made, mainly in error, in the first wave of Covid support schemes.

1. PAC recommendation: The Department, alongside its Treasury Minute response, should write to the Committee to quantify its latest estimates of fraud and error in each of the COVID-19 grant schemes and explain its justification where it is not seeking to pursue recoveries from businesses.

1.1 The Government agrees with the Committee’s recommendation.

Target implementation date: Summer/early Autumn 2023

1.2 The Department for Business and Trade (DBT), previously the Department for Business, Energy and Industrial Strategy, can conclude recovery is unrealistic for the following reasons:

- the business has ceased trading, with no residual assets and is not in administration;
- recovery is poor VFM (the cost of litigation actions is higher than the debt) or
- recovery is accepted as a significant reputational risk for DBT.

1.3 The government set out the latest position to the Committee at a hearing in relation to the Local Authority COVID-19 schemes which took place on 11 May 2023, following the recent report by the National Audit Office. The DBT has asked one of the Non-Executive Directors to undertake a review of the ongoing assurance, reconciliation, and recovery activity in relation to irregular payments and will write to the Committee following the conclusion of this review.

1.4 The review is aimed to conclude in Summer/early Autumn 2023.

2. PAC conclusion: The Department's lack of curiosity surrounding lenders' performance in the Bounce Back Loan Scheme increases the risk of losses for the taxpayer.

2. PAC recommendation:

- **The Department should set out what more it will do to identify the reasons for variances in scheme performance and encourage all lenders to reach an optimal level of performance. This is likely to include establishing the full extent of information held by lenders.**
- **The Department should make data collection and sharing explicit within initial agreements when setting up future lending schemes.**

2.1 The government agrees with the Committee's recommendation.

Target implementation date: July 2023

2.2 The Department for Business and Trade does not recognise the Committee's description of its predecessor department, the Department for Business, Energy & Industrial Strategy's, lack of curiosity regarding lender performance.

2.3 Driving positive outcomes in lender behaviour is an important tool to mitigate the risk of avoidable losses to the public purse. The Department for Business and Trade, British Business Bank (BBB) and other government stakeholders work closely with UK Finance and individual lenders to achieve this.

2.4 A Lender Performance Advisory Board provides government's oversight and strategic advice, considers action to minimise losses and enables cross-government coordination and escalation routes. The Board is chaired by the responsible DBT Director General and brings together BBB's Chief Executive with senior leaders from HM Treasury, Cabinet Office's Public Sector Fraud Authority and UK Government Investments.

2.5 Current workstreams across these organisations include:

- Improving data collection (and embedding those principles into future schemes from the outset), robustness, and transparency to help understand lender performance and prioritise interventions. Work is continuing to develop the lender portal, standardise data definitions, improve the analysis dashboard and review the range of data published.

- Improving policies and procedures to ensure lenders are operating in accordance with scheme requirements and striving to minimise avoidable loss. This includes enhanced guidance for debt write-off; pilots testing the case for additional action when wrongdoing is suspected; and a Counter Fraud Strategy.
- Targeted action to address individual lender poor performance and maximise recovery of associated losses. This includes audits on lender processes and performance from initial loan approval through to recoveries; claims and write-offs; negotiations to recover losses where poor performance is identified; and undertaking additional assurance activities.

2.6 DBT will provide a full response to the Committee by the implementation date.

3. PAC conclusion: The Department continues to make slow progress on its counter fraud activities related to the Bounce Back Loan Scheme.

3. PAC recommendation:

- **The Department should publish its counter-fraud strategy straightaway and make maximum use of available resources, including lender data and lender audits, to target its activity where it can be most cost effective.**
- **The Department should report back to the Committee with the updated results of the spend on counter fraud and the recovery results obtained compared to the level of estimated fraud.**

3.1 The government agrees with the Committee's recommendation.

Recommendation implemented

3.2 The Department for Business and Trade has developed an overarching Bounce Back Loan Scheme (BBLs) Counter Fraud strategy which is driving an extensive programme of activity in DBT, BBB and wider delivery partners. DBT is considering whether a version of this should be made public in due course.

3.3 The British Business Bank (BBB) publishes data on the COVID-19 debt schemes on a quarterly basis. This is a simultaneous publication inclusive of a full lender list and across the debt scheme portfolios. The most recent [publication](#) was made on 19 May 2023. The data points reported include the following information for each lender:

- Life event values: This data provides an overview of the overall performance of each lender's BBLs loan book, for each of the loan states (arrears, defaults, claimed or settled).
- Suspected fraud analysis, including: i) drawn loan amount; ii) total values of suspected fraud; iii) value of claims where the lender has stated that the reason for the claim is due to fraud; and life event values for suspected fraud facilities (for example, suspected fraud for loans in arrears, in defaulted loans, in claimed loans or settled loans)

3.4 Publication of this data is an important part of the government's ongoing commitment to transparency in relation to the COVID-19 debt schemes. This work is supported by the Public Sector Fraud Authority, who have led the development of a sophisticated analytics programme to better understand the level and types of fraud committed against the scheme.

3.5 The department has commissioned a series of pilots to test the case for additional recovery activities where wrongdoing is suspected, starting with an involuntary liquidation pilot, an enforcement pilot and a pilot involving a private debt management specialist. The department has already seen success from this programme of work and is planning the next steps which will be taken through our established governance mechanisms. In doing so, the

department will consider the ongoing case for additional recovery action, including the value for money and any implications for available capacity in (for example) enforcement agencies.

4. PAC conclusion: The Department's performance reporting in its annual report and accounts does not allow Parliament and the public to monitor progress towards its strategic priorities.

4. PAC recommendation: In its Treasury Minute response, the Department should set out what steps it has taken to ensure that performance reporting in its 2022-23 annual report and accounts will clearly and transparently document its progress against its strategic priorities.

4.1 The government agrees with the Committee's recommendation.

Recommendation implemented

4.2 The government is grateful for the Committee's offer of support and looks forward to engaging with the Committee around the 2022-23 BEIS Annual Report and Accounts. These will be the final Department for Business, Energy & Industrial Strategy (BEIS) accounts, though this should influence successor departments going forward.

4.3 The performance report chapter of the BEIS Annual Report and Accounts sets out BEIS' objectives and priorities and gives information on past performance, including selected metrics, sometimes known as key performance indicators (consistent with the planned objectives and measures previously published in Single Departmental Plans). The metrics included in the 2021-22 BEIS Annual Report and Accounts were reported on the SR20 set of metrics, and not the SR21 set of metrics. In the 2022-23 BEIS Annual Report and Accounts, the Government will report against SR21 metrics which are a more exhaustive and detailed list of objectives and priorities.

4.4 In the 2022-23 BEIS Annual Report and Accounts, the government is looking to provide more contextual information around metrics that it publishes with partner organisations. There are four priority outcomes with eighteen metrics. These involve several partner departments as well as the Office of National Statistics and Bank of England. This means the government will look to draw on their experience to update improve the narrative and context around the position and developments.

4.5 To make performance reporting more user friendly for readers the government will review best practice again with the intention to include more graphical presentation to make the document simpler and highlight the spend involved not just across what was BEIS but also in those arm's-length bodies which are consolidated.

5. PAC conclusion: It is not clear how the Department holds to account third parties that deliver multi-billion pound programmes on its behalf.

5. PAC recommendation: The Department should set out how it retains robust oversight and challenge of third parties delivering major policies and holds these bodies to account for achieving value for money and protecting taxpayer interests.

5.1 The government agrees with the Committee's recommendation.

Recommendation implemented

5.2 Public bodies have a pivotal role in the delivery of departmental policy objectives. DBT has 19 bodies in its more immediate delivery chain which carry out a wide range of functions

on behalf of government. This includes the delivery of public services, provision of independent advice, as well as the regulation of different sectors. Whilst the sources of income vary for different bodies, they are all equally bound by the duty to assure Parliament and the public of high standards of probity in the management of public funds.

5.3 To support them in doing this, the Principal Accounting Officer for DBT has designated the Chief Executives of these bodies as Accounting Officers; responsible for ensuring that their organisation has robust governance, decision-making and financial management arrangements in place. Crucially, Accounting Officers must scrutinise significant policy proposals and plans for major projects to ensure that spend meets the high standards of regularity, propriety, value for money, and feasibility.

5.4 Meaningful oversight by DBT is exercised through a comprehensive and robust framework of engagement. The sponsorship arrangements form a key part of this, and DBT applies the Cabinet Office Sponsorship Code of Good Practice to ensure that rigorous expectations and standards are being met in respect of relationship management, the setting of strategy and objectives, outcome assurance, financial oversight, and governance and accountability. Bodies are also subject to reviews as part of the Arm's Length Body Review Programme - the objectives of which aim to ensure that bodies remain accountable, and operate efficiently, effectively, aligned with the government's priorities. Ultimately, reviews provide a mechanism for ensuring that bodies deliver outstanding public services and value for money for the taxpayer.

5.5 Following the machinery of government (MOG) changes in February 2023, DBT is considering how best to manage its future relationship with public bodies and the type of assurance arrangements that should be established to monitor risk and performance.

5.6 Beyond that each scheme or support programme delivered via third parties is overseen by a departmental Senior Responsible Officer. It is their role to ensure effective oversight of all aspects of delivery and to protect public money. DBT is considering how best to ensure consistency of such delivery following the MOG changes.

6. PAC conclusion: Confidence in the Companies Register is undermined by errors and inaccuracies.

6. PAC recommendation: The Department, alongside its Treasury Minute response, should set out the total number of convictions for making a false declaration to Companies House, and the actions which are being taken to ensure offenders are identified and prosecuted.

6.1 The government disagrees with the Committee's recommendation.

6.2 Most errors on the Companies Register are accidental rather than deliberate and are corrected before enforcement action reaches the prosecution stage. Historically courts have been reluctant to sanction offences where the person or company has subsequently complied. Therefore, numbers of prosecutions are not an indicator of the extensive compliance activity undertaken by Companies House.

6.3 Once passed, the Economic Crime and Corporate Transparency Bill currently before Parliament will reform the role of Companies House and improve transparency over UK companies, to strengthen our business environment, support our national security and combat economic crime, whilst delivering a more reliable companies register to underpin business activity.

6.4 The reforms will bear down on the misuse of UK companies and other corporate structures as vehicles for economic crime and constitute the most significant reform to the UK's framework for registering companies in some 170 years.

6.5 The reforms include extending the Registrar's powers so that the Registrar becomes a more active gatekeeper over company creation and custodian of more reliable data concerning companies and partnerships – including new powers to check, remove or decline information submitted to, or already on, the companies register.

6.6 The reforms also provide Companies House with more effective investigation and enforcement powers and facilitates better cross-checking of data with other public and private sector bodies.

6.7 Companies House already publishes an annual report on its activities and the Bill includes an additional reporting requirement on the implementation and use of the new powers in the Bill.

7. PAC conclusion: Victims of the Post Office Horizon scandal continue to suffer as they await compensation due.

7. PAC recommendation: The Department should write to the Committee alongside its Treasury Minute response to provide details of the total value of payments made to date and the proportion of the total payments that this represents. This should be for both the Historical Shortfall and Historical Convictions schemes and indicate when it expects all claims to be settled.

7.1 The government agrees with the Committee's recommendation.

Recommendation implemented

7.2 The government is working hard to ensure fair compensation is delivered to the postmasters affected by the Horizon scandal as quickly as possible.

7.3 Under the Historical Shortfall Scheme (HSS), as of 30 May 2023, 2,401 offers (over 99%) have now been issued to the original cohort of claimants, totalling £98.7million(net), with 16 offers outstanding. The Post Office expects to issue offers in the remaining cases by the end of July, but this is dependent on information from third parties. 1,965 payments have been made totalling £67.7million (net), meaning over 81% have received payments. This includes £8.7million in interim payments. Total payments will not be known until all cases have been settled. The Post Office has also issued 60 offers to late applicants to the HSS and made 22 payments totalling £320,000; it continues to receive and process late claims. In addition, DBT is preparing to provide further funding to correct an issue relating to tax treatment for some HSS payments.

7.4 For overturned convictions, as of 30 May 2023, the Post Office has made 80 initial interim payments totalling over £8.1million, out of 86 convictions overturned so far. It has settled 55 non-pecuniary claims, including one subject to a pending probate arrangement, and made offers for a further 13 non-pecuniary claims. The Post Office has settled 4 pecuniary claims, meaning it has reached full and final settlements with 4 postmasters. The total compensation paid out by Post Office to those with overturned convictions is over £18.8 million. Post Office encourages postmasters to continue to submit their claims, and once received will review these as quickly as possible.

Forty-sixth Report of Session 2022-23

BBC

BBC Digital

Introduction from the Committee

The BBC is independent of government but is sponsored by the Department for Digital, Culture, Media and Sport and regulated by Ofcom, the communications regulator. The BBC is primarily funded by the television licence fee, which gave it £3.8 billion of its £5.3 billion income in 2021–22. For a number of years, the BBC has sought to complement its traditional television and radio broadcasting through developing its digital services. It launched its homepage in 1997, iPlayer in 2007, and now offers an array of apps and websites. The BBC now competes not only with television and radio broadcasters, but also with online providers, often based overseas and funded by private capital. In September 2020, the BBC’s Director-General launched its Value for All strategy, a priority of which is extracting “more value from online”. This means using technology and data to offer audiences a greater range of services through a portfolio of digital products including iPlayer, Sounds as well as apps for news and sport. In October 2020, the BBC commenced a strategic technology review to determine its technology requirements for the following five years and beyond. Following this, in May 2022 it announced that it would be taking a new ‘digital-first’ approach.

Based on a report by the National Audit Office, the Committee took evidence on 21 November 2022 from the BBC about its plans for digital transformation.

The Committee [published its report on 28 April 2023](#) and the BBC will write directly to the Committee regarding the recommendations in the report.

Forty-seventh Report of Session 2022-23

Home Office

Investigation into the UK passport office

Introduction from the Committee

Since October 2014, His Majesty's Passport Office (HMPO) has been part of the Home Office (the Department), within the Passports, Citizenship and Civil Registration directorate. HMPO is responsible for providing passport services to British citizens living in the UK and overseas, as well as administering civil registration in England and Wales. HMPO manages the end-to-end passport processing services and approves all applications, but parts of the process are contracted out to third-parties. In September 2022, HMPO employed around 4,700 full-time equivalent staff. In 2015, HMPO began its digital transformation programme, with the aim to replace its paper-based system with a digital system. The programme was expected to be complete by the end of March 2022, however, full delivery is now expected in the 2025–26 financial year.

HMPO typically receives around seven million passport applications every year, and in the years before the COVID-19 pandemic, demand for passports was predictable. In 2020 and 2021, however, the demand for passports reduced significantly, as people delayed renewing or applying for new passports due to travel restrictions introduced to manage the pandemic. HMPO estimated that around five million people delayed applying for passports during the COVID-19 pandemic, and that these applications would return once travel restrictions were lifted. It forecast that it would receive 9.5 million passport applications in 2022, around 36% more than in a typical year.

The UK removed COVID-19 travel restrictions in early 2022, and passport applications began to increase. Between January and September 2022, HMPO received 7.2 million passport applications, a 24% increase compared to the same period in 2019. HMPO staff processed record numbers of applications and about 95% of applicants received their passports within HMPO's 10-week timeframe. But some 360,000 applicants experienced unacceptable delays that affected their travel plans and their ability to prove their identity.

Based on a report by the National Audit Office, the Committee took evidence on 19 December 2022 from the Home Office and HM Passport Office. The Committee published its report on 6 April 2023. This is the government's response to the Committee's report.

Relevant reports

- NAO report: [Investigation into the Performance of HM Passport Office](#) – Session 2022-23 (HC 949)
- PAC report: [Investigation into the UK Passport Office](#) – Session 2022-23 (HC 738)

Government response to the Committee

1. PAC conclusion: While we commend the efforts of its staff, HMPO delivered an unacceptable level of service to many of its customers in 2022.

1a. PAC recommendation: The Department should, as part of its Treasury Minute response, set out how HMPO's experience in 2022 has informed its preparations for 2023 and what actions it has taken as a result.

1.1 The government agrees with the Committee's recommendation.

Recommendation implemented

1.2 The transfer of passport applications between systems should not have caused applications to fail to be processed within the published processing time. However, the workflow process through to spring 2023 meant that some cases were not being brought to the front of the queue when transferred to the legacy Application Management System, AMS, and the cumulative timeframe across the systems did result in applications taking longer than the published timeframe.

1.3 While the impact of this upon customers was mitigated by the expedited service that ensured applications which had taken longer than ten weeks were prioritised to meet travel needs, this did mean that some people did not receive the service that they should rightfully expect.

1.4 In addition, challenges with recruitment meant that His Majesty's Passport Office (HM Passport Office) did not have the expected resources at the beginning of 2022. Priority issues led to large numbers of staff being recruited across the Civil Service. This, coupled with a buoyant job market, meant that bringing in staff for passport processing was approximately ten weeks later than planned, and this did limit processing capacity for a period.

1.5 These issues experienced in the early part of last year are fully resolved. HM Passport Office entered 2023 fully resourced and, following workflow improvements that were introduced last spring, any application that is transferred to AMS is now brought to the correct place in the queue to begin processing.

1.6 Passport demand continues to be elevated, with approximately 400,000 more passport applications between January and April 2023 compared to the same period in 2022. However, in response to the actions taken, HM Passport Office is performing very strongly, with 99.5% of applications over this period being processed within ten weeks, and 93.5% within three weeks.

1b. PAC recommendation: The Department should report back to us within six months detailing how effective the actions above have proved in maintaining an acceptable level of service in HMPO.

1.7 The government agrees with the Committee's recommendation.

Target implementation date: September 2023

1.8 The department will write to the Committee within six months of their report to detail the effectiveness of its action.

2. PAC conclusion: The Department has demonstrated a worrying lack of curiosity about the human impact of HMPO's poor service or who its customers were.

2. PAC recommendation: The Department should, as part of its Treasury Minute response, set out how it will place a greater emphasis on the experience of HMPO's customers in the future. HMPO should also collect better data on who is applying for a passport, to provide information to improve its overall service.

2.1 The government disagrees with the Committee's recommendation.

2.2 Excellent customer service has always been at the forefront of HM Passport Office's policy-making, and the implementation of its processes. During the summer of 2022, HM Passport Office prioritised cases entirely based upon customer need. While the standard UK passport service does not have a guaranteed processing timeframe, and customers are advised not to book travel without a valid passport, the provision of the expedited service is a clear example of its approach to helping ensure that people received their passport in good time.

2.3 HM Passport Office will always endeavour to improve the service offered, and regularly gathers both qualitative and quantitative feedback about its service to inform future changes. This is done through a variety of ways, including the monitoring of complaints, as well as regular detailed surveying of its customers.

2.4 In the autumn of 2022, HM Passport Office was reaccredited as having achieved the Customer Service Excellence standard. It exceeded each of the 57 assessment elements across the five criteria, which includes the approach to Customer Insight and Customer Satisfaction.

2.5 In its latest customer experience survey (April 2023), 85% scored their experience of HM Passport Office as 9 or 10 out of 10 (where 10 is excellent).

2.6 However, in line with data protection principles, HM Passport Office will only gather and hold customer data that enables the purpose of processing this data to be fulfilled. In effect, it will only collect information that has a bearing on the processing of a passport application. It is for this reason that customer research and feedback is used to inform the operation.

3. PAC conclusion: Weaknesses in HMPO's understanding of how applications moved through its systems caused frustration and confusion for customers.

3. PAC recommendation: The Department should, as part as its Treasury Minute response, explain how it will address weaknesses in management information to ensure HMPO has a real-time, end-to-end view that allows it to identify and resolve issues quickly and efficiently.

3.1 The government agrees with the Committee's recommendation.

Recommendation implemented

3.2 HM Passport Office has undertaken a thorough assessment of its management information, and in response has delivered a number of improvements to its reporting mechanisms to address weaknesses.

3.3 Developments include improvements in the reporting of work across its application systems, to provide a robust and accurate view of the age of applications. This has resolved the workflow issue experienced at the beginning of 2022, by ensuring the work transferred from the latest Digital Application Processing system, DAP, will join AMS to be processed in the appropriate date order.

3.4 More broadly, it has also improved workflow management information and analytics, which has delivered significantly improved oversight of work in progress, and better enabling the proactive management of its queues.

4. PAC conclusion: Despite HMPO's work to prepare for increased demand for passports, poor performance by contractors exacerbated issues for customers.

4. PAC recommendation: The Department should, as part as its Treasury Minute response, set out the steps it has taken to ensure the problems it experienced with its contractors will not happen again.

4.1 The government agrees with the Committee's recommendation.

Recommendation implemented

4.2 The Home Office works to continually improve its ability to procure and manage third party suppliers, using lessons learned to further support the robust monitoring of compliance against contract requirements.

4.3 For the work of Teleperformance and Sopra Steria, HM Passport Office has worked closely with them to help ensure that they meet the required service level throughout 2023.

4.4 In the first quarter of 2022, the work of Sopra Steria was affected by a reduction in desk capacity due to social distancing. Additionally, there were some recruitment delays with the onboarding of agency staff. This has subsequently been resolved through joint-working to reduce the time taken to security clear these staff.

4.5 Sopra Steria has consistently met its key performance measures for back-office processing at HM Passport Office from June 2022 to date.

4.6 While Teleperformance did not meet the required standard until August 2022, HM Passport Office worked with them constructively to resolve this as quickly as possible. Following the introduction of a number of improvements, Teleperformance have met the required service levels for call answering since August 2022.

4.7 However, as part of lessons learned from last year, HM Passport Office has added greater resilience to its provision of customer contact services by appointing an additional supplier. Serco, who commenced this work on 22 March 2023, will handle approximately 25% of calls to the Passport Adviceline and provide extra resilience to Teleperformance, with the overall contact centre spend estimated to deliver around £2 million savings over a two-year period.

5. PAC conclusion: We remain to be convinced that HMPO's digital transformation programme will be completed by 2025.

5. PAC recommendation: The Department should set out, as part of its Treasury Minute response, what actions it has taken to address each of the recommendations from the Infrastructure and Projects Authority's August 2022 review. It should also explain what contingencies they are putting in place should there be further delays to the digital transformation programme.

5.1 The government agrees with the Committee's recommendation.

Recommendation implemented

5.2 The recommendations from the Infrastructure and Projects Authority's August 2022 review, alongside the latest update, can be found in the table below:

Recommendation	Update
<p>The Senior Responsible Owner (SRO) should commission an independent review of the DAP Programme by experienced Agile experts to report by mid-September and complete the critical path activity.</p>	<p>An independent review of DAP was completed in September 2022 which confirmed a number of areas of good practice in Agile development.</p> <p>All actions in response to the recommendations have been progressed. This includes separating the responsibilities of the DAP live service team and the DAP development team, which has yielded greater efficiency.</p> <p>Critical Path activity has been completed to plot the remaining milestones, dependencies, and assumptions, with a projected end date of April 2025. To ensure some contingency, we have worked with our supplier of legacy services to ensure that these services will remain available beyond April 2025, if required.</p> <p>Options for de-scoping the Programme have been reviewed and the delivery team are working towards a Minimum Viable Product.</p>
<p>The SRO (Senior Responsible Owner) should ensure that the programme considers short term opportunities for mitigating operational cost and risk, considering interim tactical solutions as well as changes to the overarching delivery approach of the agreed activities within the Programme.</p>	<p>The SRO has worked with Programme Director (PD) to consider opportunities for mitigating operational cost and risk.</p> <p>One intervention is the introduction of the Digital Design Suite: this co-locates operational staff with software developers for building and testing. The Digital Design Suite puts an emphasis on preventing passport applications returning to legacy systems, to accelerate the move to DAP.</p> <p>Continued collaboration between the Programme and operational colleagues on the refreshed Critical Path is ongoing, which will help to identify opportunities for introducing further tactical solutions.</p> <p>All decisions are governed via organisational transformation prioritisation, and relevant Boards attended by Senior Civil Servants. This ensures that the examination of impacts of any proposals on resources working to deliver the Programme are understood, so that no delays are caused.</p>

<p>The SRO should bring together the Business Intelligence (BI) project and the Operational Leaders to determine the long-term strategic solution for BI; and the tactical measures required in the interim, and how and by whom they will be delivered.</p>	<p>A new project team has been set up to co-ordinate the provision of Business Intelligence information to HM Passport Office.</p> <p>Its key deliverables are:</p> <ul style="list-style-type: none"> • Developing its plans to ensure HM Passport Office understands what is being delivered, by when, and what it will do to assist in managing the business. • Captures all known elements of BI being delivered in Projects and Live Services within its plans • Using information provided by Workstreams to support tracking all known dependencies • Facilitate a project Steering Group to overcome obstacles to delivery <p>In addition, a restructured governance approach was put in place in February 2023 to focus on risk and issue management for all BI Workstreams, and to report on progress against plans.</p>
<p>The SRO, supported by a strong Programme Director (PD) and Project Manager, should ensure that risks and issues are rigorously discussed, at the right time, with a clear set of mitigating actions agreed. A culture of holding people to account for non-delivery at key board meetings should be the norm.</p>	<p>The PD has introduced fortnightly Workstream Review meetings. These two-hour sessions bring together all project managers delivering into the Passports Transformation Programme, to track progress, surface risks and issues, and unblock barriers to delivery.</p> <p>A dedicated monthly risk forum has been established to manage the most significant risks and issues associated with the Passports Transformation Programme.</p>
<p>The SRO should hold an 'all attend' in-person Programme Away Day within a few weeks of the PD arrival.</p>	<p>A two-day 'all attend' in-person away day was held January 2023.</p> <p>The event was jointly chaired by Programme Director and Digital Services Lead. The key outcomes of the event were a full understanding of dependencies, clear ways of working, and complete understanding of the Critical Path.</p>

<p>The SRO should, building on the success of the Away Day, mandate more face-to-face interaction within teams and across teams to improve transparency, collaboration and understanding.</p>	<p>The SRO and PD are encouraging face-to-face meetings where practicable and attending other teams' in-person meetings wherever possible.</p> <p>A refreshed Passports Transformation Programme Board (chaired by the SRO) continues to build understanding and transparency between the Programme and Service Delivery. The SRO and Programme Director also attend HM Passport Office's regular Board meetings, and hold regular 1-2-1s with senior operational colleagues.</p> <p>All Programme Managers also hold face-to-face meetings in line with the Home Office hybrid working policy, whereby at least 40% of working time is spent in the office.</p>
<p>The SRO should ensure that the Programme involves commercial colleagues early in discussions about changes to programme requirements or the delivery approach, to ensure all opportunities to maximise commercial advantage are considered.</p>	<p>The PD has instigated regular meetings with all commercial leads working on contracts required for the Programme.</p> <p>The PD and commercial colleagues meet all the Programme's suppliers regularly. Supplier performance is closely monitored and managed through the Programme's formal governance structures.</p>

6. PAC conclusion: We are disappointed by the Department and HMPO's lack of ambition in their plans to meet demand for passports in 2023 and beyond.

6. PAC recommendation: The Department should set out, as part of its Treasury Minute response, how it will better manage demand for passports in future and what outcomes it will use to measure its performance.

6.1 The government agrees with the Committee's recommendation.

Recommendation implemented

6.2 In response to the challenges experienced in early-2022, HM Passport Office has worked to deliver a number of improvements to that has delivered consistent high standards of service that its customers rightfully expect.

6.3 This includes improved workflow management information and analytics, which has delivered significantly improved oversight of work in progress, and better enabling the proactive management of its queues. Alongside this, HM Passport Office has acted to add greater resilience to its provision of customer contact services by appointing an additional supplier to handle approximately 25% of calls to the Passport Adviceline.

6.4 It has also continued to develop its digital solutions, approximately 89% of applications begin their processing through DAP, with 81% completed end-to-end.

6.5 In addition, HM Passport Office has developed an ambitious, flexible and responsive staffing model to meet passport demand, and to provide the best service possible to its customers.

6.6 As a result of these efforts, it has processed almost 4 million applications in 2023, with 99.5% within ten weeks and 93.5% within three weeks.

6.7 Approximately 5 million people delayed their passport application due to the restrictions upon international travel caused by the COVID-19 pandemic. Given the exceptional cause of this latent demand, the profile of when this will arrive is less predictable than in a normal year. It is therefore appropriate to continue to advise people to allow up to ten weeks to get their passport, however the processing time guidance will be returned to pre-pandemic timeframes in due course.

6.8 The seasonality of passport demand does put greater pressure on passport services, and there remains significant value in exploring options to smooth this demand across the full year.

6.9 While HM Passport Office has not yet identified a viable incentive to bring forward demand into the autumn/winter that is both fair and in line with international standards, it will continue to explore ways to attempt to achieve this.

Treasury Minutes Archive²

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

Session 2022-23

Committee Recommendations: 315
Recommendations agreed: 282 (89%)
Recommendations disagreed: 33

Publication Date	PAC Reports	Ref Number
July 2022	Government response to PAC reports 1, 3 & 10	CP 722
August 2022	Government response to PAC reports 2, 4-8	CP 708
September 2022	Government response to PAC reports 9, 13-16	CP 745
November 2022	Government response to PAC reports 11, 12, 17	CP 755
December 2022	Government response to PAC reports 18-22	CP 774
January 2023	Government response to PAC reports 23-26	CP 781
February 2023	Government response to PAC reports 27-31	CP 802
March 2023	Government response to PAC reports 32-36	CP 828
May 2023	Government response to PAC reports 37-41	CP 845
June 2023	Government response to PAC reports 42-47	CP 847

Session 2021-22

Committee Recommendations: 362
Recommendations agreed: 333 (92%)
Recommendations disagreed: 29

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
February 2022	Government response to PAC reports 27-31	CP 631
April 2022	Government response to PAC reports 32-35	CP 649
April 2022	Government response to PAC reports 36-42	CP 667
July 2022	Government response to PAC reports 49-52	CP 722

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

² List of Treasury Minutes responses for Sessions 2010-15 are annexed in the government's response to PAC Report 52

Publication Date	PAC Reports	Ref Number
February 2021	Government responses to PAC reports 25-29	CP 376
February 2021	Government responses to PAC reports 30-34	CP 389
March 2021	Government responses to PAC reports 35-39	CP 409
April 2021	Government responses to PAC reports 40- 44	CP 420
May 2021	Government responses to PAC reports 45-51	CP 434
June 2021	Government responses to PAC reports 52-56	CP 456

Session 2019

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

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

Session 2017-19

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

Publication Date	PAC Reports	Ref Number
December 2017	Government response to PAC report 1	Cm 9549
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
June 2023	Session 2013-14: updates on 1 PAC report Session 2017-19: updates on 11 PAC reports Session 2019-21: updates on 5 PAC reports Session 2021-22: updates on 29 PAC reports Session 2022-23: updates on 27 PAC reports	CP 847
December 2022	Session 2013-14: updates on 1 PAC report Session 2017-19: updates on 16 PAC reports Session 2019-21: updates on 14 PAC reports Session 2021-22: updates on 38 PAC reports Session 2022-23: updates on 8 PAC reports	CP 765
June 2022	Session 2013-14: updates on 1 PAC report Session 2017-19: updates on 27 PAC reports Session 2019-21: updates on 34 PAC reports Session 2021-22: updates on 30 PAC reports	CP 691
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
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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