HM Treasury

Treasury Minutes

Government Response to the Committee of Public Accounts on the Eightieth report from Session 2022-23 and the First to the Sixth reports from Session 2023-24

CP 1029 February 2024

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

February 2024

CP 1029

This publication is available at www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at: public.enquiries@hmtreasury.gov.uk

ISBN

E03077077 2/24

Printed on paper containing 40% recycled fibre content minimum.

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office.

Government response to the Committee of Public Accounts Session 2022-23 and 2023-24

Eightieth report of Session 2022-23

HM Revenue & Customs

Making Tax Digital

Introduction from the Committee

His Majesty's Revenue & Customs (HMRC) is responsible for administering the UK's tax system. In 2015 the government announced its ambition to make tax digital by 2020 and in 2015–16 HMRC launched its flagship transformation programme Making Tax Digital. The objectives of the programme are to maximise tax revenue, make sustainable cost savings and improve customer service by modernising the tax system for three taxes, VAT, Income Tax Self Assessment (Self Assessment) and Corporation Tax. The programme aims to move HMRC's existing tax system and records to a new modern tax management platform. HMRC will require taxpayers to keep and submit digital tax records quarterly through third party software. HMRC expects that the programme will reduce the amount of tax revenue lost to errors and carelessness (currently estimated at £9 billion) and help taxpayers understand their tax affairs better.

HMRC introduced digital tax record keeping for larger VAT businesses as initially planned in 2019, and for smaller VAT businesses three years later than planned in 2022. The Self Assessment part of the programme was originally due to be introduced in 2018 but by December 2022 the timetable had been delayed on four occasions. In December the government announced that the introduction of Making Tax Digital for Self Assessment would be delayed again, and the number of taxpayers affected would be reduced. Those businesses and landlords with Self Assessment incomes above £50,000 will be required to use the new system first in 2026, then those with incomes between £30,000 and £50,000 in 2027. The programme for those with incomes between £10,000 to £30,000 has been put on hold until further notice. HMRC has not announced when it will introduce digital record keeping for general partnerships or Making Tax Digital for Corporation Tax. The programme has so far cost £642 million. HMRC expects introducing Making Tax Digital for VAT and Self Assessment will now cost a total of £1.3 billion, a 400% increase in real terms compared to its original estimate of £222 million in 2016 for all three taxes in the programme.

Based on a report by the National Audit Office, the Committee took evidence on 19 June 2023 from HM Revenue & Customs. The Committee published its report on 24 November 2023. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Progress with Making Tax Digital – Session 2022-23 (HC 1319)
- PAC report: Progress with Making Tax Digital – Session 2022-23 (HC 1333)

Government response to the Committee

1. PAC conclusion: Widespread and repeated failures in HMRC's planning, design and delivery of Making Tax Digital have led to increased costs and several delays to the Making Tax Digital programme.

1a. PAC recommendation: HMRC should urgently test that its existing plans are sufficiently detailed and rigorous to ensure the successful delivery of the remainder of the programme, and report to the Committee on its findings for Making Tax Digital for Self Assessment as part of its Treasury Minute.

1.1 The government agrees with the Committee's recommendation.

Recommendation implemented

1.2 His Majesty's Revenue & Customs (HMRC) has developed a detailed plan to enable the delivery of Making Tax Digital for Income Tax Self-Assessment (MTD for ITSA).

1.3 In 2023, HMRC took steps to strengthen and further assure its plans. All aspects of MTD's design, alongside work to build the required IT changes, is now subject to a consistent methodology to assess the cost and work required to implement each change. This provides assurance that the overall plan is deliverable, enabling HMRC to effectively monitor progress against it.

1.4 HMRC has used this methodology to design a set of products for stakeholders. These include:

- a high-level delivery roadmap;
- customer journeys covering the beta testing period in 2024-2026 and the period after the new mandated requirements are introduced in April 2026;
- a revised Application Programming Interface (API) roadmap for software developers; and
- updated eligibility criteria for the private beta testing phase through to April 2025.

1.5 HMRC made these products available to key external stakeholders in November 2023.

1.6 MTD is also part of the Government Major Projects Portfolio (GMPP) and is subject to regular assurance reviews by the Infrastructure and Project Authority (IPA). The most recent was in March 2023, when the IPA assessed delivery confidence for MTD as "amber" (increased from the previous "red" rating) and noted substantial progress since their last review in August 2022. A further review is expected in February 2024.

1.7 The government recognises that delivery of the MTD for ITSA programme remains challenging but considers that HMRC's plans demonstrate a realistic timetable.

1b. PAC recommendation: HMRC should, as part of its Treasury Minute response, specify in detail how it will hold senior leaders accountable for delivering against the programme's timetable and budget, and what consequence there will be for any further timetable and budget overruns.

1.8. The government agrees with the Committee's recommendation.

Recommendation implemented

1.9 As a part of the GMPP, MTD is subject to robust governance processes with clear accountabilities for all aspects of delivery.

1.10 In line with GMPP governance, people in key roles, such as MTD's Senior Responsible Owner (SRO), sign letters setting out their responsibilities and accountabilities for delivery of the programme and its intended outcomes. These letters are updated as people change roles.

1.11 MTD's SRO also completes a quarterly report to the IPA, covering the programme's activity.

1.12 The delivery of MTD is reflected in the performance objectives of the Programme Director, SRO and other senior HMRC officials. Performance against these objectives is appraised through the formalised Senior Civil Servant (SCS) performance management process, which include manager assessments at mid-year and end-of-year points to track progress against performance objectives.

1.13 There are also significant internal governance and scrutiny processes in place, including internal audit processes and an Executive Oversight Group, enabling HMRC's Executive Committee to scrutinise all aspects of the programme's delivery. The Programme also reports to HMRC's Transformation Board including Executive Committee members and HMRC Non-Executive Directors.

1.14 MTD's business case is updated regularly and scrutinised through Treasury Approval Point hearings, ahead of the Chief Secretary to the Treasury's sign-off.

1.15 The business case includes HMRC's analysis of costs and benefits of the programme, alongside planned expenditure. The programme has continuously delivered within its annual allocated budgets and financial forecasts, in accordance with conditions set at Treasury Approval Points.

2. PAC conclusion: It is unacceptable that seven years in, with £640 million of taxpayer's money spent on the programme as a whole, so many questions remain about how Making Tax Digital for Self-Assessment will work.

2a. PAC recommendation: HMRC should, in partnership with its programme stakeholders including customers, tax agents and software providers, resolve design issues and write to the Committee by April 2024 to explain how each of the significant outstanding design issues have been resolved. As part of this, HMRC should consider what steps it can take to simplify arrangements for Self Assessment taxpayers.

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 The government has provided its full response in the following paragraphs, together with the announced changes to the design of MTD for ITSA made at the 2023 Autumn Statement.

2.3 This announcement addressed the most significant outstanding design issues. It resulted from consultation and collaboration with external stakeholders, undertaken as part of a review into MTD and the needs of smaller business in 2023. In particular, the announcement included:

- a revised customer journey for landlords with jointly-held property;
- amendments to the design of quarterly updates;
- confirmation that the requirement to complete an End of Period Statement within MTD will be removed; and
- a commitment to develop a solution allowing multiple agents to act for customers, by April 2026.

2.4 HMRC also updated its eligibility criteria to support MTD's beta testing phase, clarifying who can participate.

2.5 HMRC will continue work with external stakeholders on other more detailed policy design elements ahead of mandation in 2026, alongside continuing a private beta testing programme in 2024-25 and a public beta in 2025-26 to ensure that service design meets users' needs.

2b. PAC recommendation: HMRC should, by Summer 2024, undertake and publish a robust assessment of how much difference to tax revenue is made by (i) more frequent submissions of Self Assessment data and (ii) by digital submissions.

2.6 The government disagrees with the Committee's recommendation.

2.7 MTD software is designed to ensure records are kept accurately and in a timely manner. It is not possible to estimate robustly the effects of the separate components in isolation, since quarterly digital updates help to ensure software is used timeously. While initial assumptions were made, these have been overtaken by evidence from MTD for VAT which does not allow for disaggregation of the source of the additional tax revenue.

2.8 A 2022 evaluation estimated additional tax revenue from MTD for VAT in 2019-20 of at least £185 million, providing strong evidence that MTD reduces the tax gap. This provides confidence that the approach will also yield benefits in ITSA.

2.9 HMRC has now applied the MTD for VAT evaluation findings to MTD for ITSA and expects a reduction of around 15% in the tax gap from error and failure to take reasonable care. This methodology has been approved by the independent Office for Budget Responsibility (OBR).

2.10 Based on the Autumn Statement 2023 forecast, OBR-certified MTD for ITSA benefits (including digital prompts) are:

- £25 million in 2025-26;
- £120 million in 2026-27;
- £465 million in 2027-28;
- £780 million in 2028-29.

2.11 These estimates assume quarterly updates and software together encourage higher-quality and timely record keeping. HMRC will evaluate benefits of MTD for ITSA as new evidence is available.

2.12 Research with customers shows around one-third currently wait to the year end to update records, indicating that MTD would increase the frequency of record keeping. Evidence of behaviour and estimates will improve as MTD for ITSA is implemented.

3. PAC conclusion: HMRC's design of Making Tax Digital has not taken sufficient account of the realities facing business taxpayers and agents.

3a. PAC recommendation: In addition to Making Tax Digital, HMRC should research what services customers would find most helpful, drawing on customer views as well as international research, and publish its findings by Autumn 2024.

3.1 The government disagrees with the Committee's recommendation.

3.2 The government disagrees with the Committee's recommendation to produce a standalone publication by Autumn 2024. However, the government agrees with the need for research and customer insight to inform the development of a modern digital tax administration system. As part of the government's 10-year strategy to build a trusted, modern tax administration system, HMRC has undertaken a range of external consultations and research activities to understand the needs and views of its customers.

3.3 Some of these explore how ITSA could be more straightforward and easier for customers to understand, including:

- a Call for Evidence on reforming ITSA registration for individuals with income from self-employment or property, with the Summary of Responses published in July 2022;
- a Discussion Document on Simplifying and Modernising Income Tax Services, published in March 2023, as part of the Tax Administration Framework Review;

- external research on the views and experiences of individuals who have recently become required to register for ITSA, published in June 2023; and
- analysis, to support the MTD small business review, looking at the experience of self-employed customers and landlords with income below £30,000. This will be published in 2024.

3.4 HMRC has recently launched a full review of the circumstances in which a taxpayer should submit a self-assessment tax return; improved its online tools; and added to or improved customer guidance.

3.5 HMRC shares its research and approach to customer understanding with international tax authorities and will continue to evaluate how international research can inform its approach.

3b. PAC recommendation: HMRC should ensure that all its future proposals for digitalising the tax system: start with what taxpayers need; are demonstrably better for them than existing arrangements; and the plans are supported and therefore can be championed by taxpayer representatives, including its own Administrative Burdens Advisory Board.

3.6 The government disagrees with the Committee's recommendation.

3.7 A priority for government is to make it easy for taxpayers to get tax right. However, it needs to balance several objectives for the tax system, including raising revenue and tackling the tax gap. While these often align, there can be trade-offs to consider.

3.8 HMRC regularly engages a range of taxpayer representatives, including the Administrative Burdens Advisory Board (ABAB), as new services are developed and to better understand issues faced by taxpayers. ABAB provides valuable insight, including on MTD for ITSA, where its views were important in informing the announcements made in the 2023 Autumn Statement.

3.9 HMRC has also established an expert panel to consult on digital improvement ideas which provides insight into how to implement changes and provide the right support for vulnerable or digitally excluded customers.

3.10 As part of HMRC's governance, the Customer Experience Committee, which includes independent expert advisers, provides advice on customer-experience issues. HMRC shares plans for digital improvements with this committee.

3.11 The government has recently enhanced existing processes which support policy and service delivery, ensuring these consider improving taxpayers' experience. This includes improving training and internal guidance for policy officials; introducing checkpoints in the policy making process where senior officials review measures from a simplification and customer experience perspective; and ensuring advice to ministers sets out how a measure contributes to making the tax system simpler, fairer or supports growth.

3.12 HMRC also runs research programmes to build understanding of customer needs, publishing analyses of impacts on individuals and businesses in Tax Information and Impact Notes (TIINs).

4. PAC conclusion: In seeking further investment in the programme, HMRC has not been open enough about the substantial costs that Making Tax Digital will impose on many taxpayers.

4. PAC recommendation: Before finalising its proposals to extend Making Tax Digital to lower income taxpayers, HMRC should:

- ***fully reassess the costs for customers to comply with Making Tax Digital for Self Assessment, taking account for inflation and any significant design changes made when finalising its plans; and***
- ***Use this to prepare a robust updated business case for Making Tax Digital for Self Assessment.***

4.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2025

4.2 At the 2023 Autumn Statement, the government announced changes to simplify and improve the design of MTD for ITSA. These changes followed extensive collaboration with accountancy, business and landlord representative bodies, and software developers; and they were informed by research with landlords and self-employed customers.

4.3 HMRC has reassessed costs to customers as a result of these changes as well as the government's decision to retain the income threshold for mandating customers into MTD for ITSA at £30,000. This has been developed with the input of stakeholders in business and the accountancy professions as well as the Administrative Burdens Advisory Board.

4.4 HMRC has also conducted a comprehensive review of the evidence feeding into estimates, bringing in the latest internal and external data available. These estimates will be published in a Tax Information and Impact Note alongside amendment regulations in the fourth quarter of 2023-24. The current MTD business case has spend approval until 31 March 2025, and the next iteration will provide a full update on costs (HMRC and customer) and the benefits of the programme in line with approvals timelines.

4.5 HMRC continues to ensure that these estimates are kept under review, updated as necessary and included within ministerial advice. HMRC will also ensure that all estimates on customer costs are included in the net present value (NPV) calculation within business cases, and separate narrative and annexes, in line with National Audit Office (NAO) recommendations.

5. PAC conclusion: HMRC's poor track record of repeated delays to the Making Tax Digital programme and its lack of conviction in its latest timetable gives us little confidence that it will deliver the rest of the programme on time.

5a. PAC recommendation: HMRC should, as part of its Treasury Minute response, explain how it will assure itself that the timetable and budget for Making Tax Digital for Self-Assessment is realistic and how it will use independent technical assurance and other sources of evidence to provide this assurance.

5.1 The government agrees with the Committee's recommendation.

Recommendation implemented

5.2 HMRC has undertaken detailed work to assure its delivery plan for MTD. HMRC is confident its budget for the next two years reflects the resourcing and funding requirements needed to achieve the deliverables within this plan.

5.3 A programme of MTD's scale and complexity carries inherent risk. Its delivery roadmap to mandation presents an ambitious but realistic timetable. Successful delivery remains contingent on external software developers building MTD products, and engagement from the agent community to support customer readiness; it also assumes stability in HMRC's resource and internal capacity to deliver MTD.

5.4 HMRC will continue to monitor progress against its plans and key performance indicators – alongside its approach to risk management – through internal governance and independent technical and other assurance. This includes work to develop contingency plans to respond swiftly to any potential delays, minimising impacts on customers and stakeholders.

5.5 MTD was reviewed independently by the IPA in March 2023 and will be reviewed again in February 2024. MTD's delivery and budget receives additional scrutiny through HM Treasury checkpoints, HMRC's internal audit function, internal governance and investment boards.

5.6 For further technical assurance of moving taxpayer records, HMRC has commissioned a data quality assessment of the Self-Assessment data held on legacy systems. This assessment is being undertaken by a number of suppliers including a specialist data company.

5b. PAC recommendation: If further changes to the delivery timetable are necessary, HMRC should communicate this clearly, early and definitively, to provide certainty to its delivery partners and customers.

5.7 The government agrees with the Committee's recommendation.

Target implementation date: April 2026

5.8 Making Tax Digital is central to the delivery of a digital and modernised tax administration system. The government recognises that HMRC's customers and delivery partners need certainty and assurance over the delivery plan for MTD.

5.9 The government announced the phased mandation timeframe of MTD for ITSA in December 2022. This announcement recognised the significance of these changes to HMRC, taxpayers and delivery partners - alongside the challenging economic environment facing small businesses. It was also informed by HMRC's detailed internal planning.

5.10 Following the announcement of the outcome of the small business review in November 2023, HMRC has also shared detailed plans and a delivery roadmap with key external partners involved in the delivery of MTD.

5.11 HMRC has also sought feedback on its communications plans from agent representative bodies, software developers and tax agents and will continue to do so alongside sharing key messages and assets where available. Short-term plans are focussed on supporting software developers, agents, self-employed people, and landlords to take part in beta testing.

5.12 As April 2026 approaches, additional messaging will be introduced to encourage those outside of testing to prepare for the new requirements.

5.13 The government will ensure that any future decisions that affect customers or delivery partners – such as any future decision to amend the income threshold for mandation into MTD – provides adequate time for all parties to prepare.

6. PAC conclusion: We are concerned that the repeated delays and poor design of the Self-Assessment phase of the programme is deterring software providers from developing quality progress with Making Tax Digital products and will ultimately put customers at risk.

6a. PAC recommendation: HMRC should, within three months, write to the Committee and set out how it will ensure that it strikes the right balance between ensuring competition, quality and access to software for its Making Tax Digital VAT and Self Assessment customers.

6.1 The government agrees with the Committee's recommendation.

Recommendation implemented

6.2 The government has provided its full response in the following paragraphs, together with HMRC's end-to-end service guides for both MTD for ITSA and VAT.

6.3 These guides set out in detail how developers should produce software for MTD, including:

- how to integrate software with HMRC's systems;
- how software aligns with various end-to-end users; and
- HMRC's criteria for allowing an MTD product to be listed on its software choices page.

6.4 These guides are continuously reviewed, with the most recent revision in December 2023.

6.5 HMRC manages the quality of software through its production approvals process which is outlined in these guides. This includes a section on "Minimum Functionality Standards" which sets out the minimum required functionality expected of MTD products. HMRC is currently reviewing these standards, with the aim of ensuring they support innovation in the software market and incentivise the development of the best possible software products.

6.6 HMRC works closely with stakeholders to balance the burden on software developers entering the market, the benefits of innovation, and the quality of the MTD customer journeys.

6.7 For example, HMRC has adapted its approach in response to feedback, enabling software developers to build MTD products iteratively and to be granted production approval for specific elements of the required functionality. From a taxpayer perspective, however, an MTD for ITSA product will only be listed on the HMRC Software Choices webpage once it satisfies all the requirements listed under the 'Minimum Functionality Standards'.

6b. PAC recommendation: HMRC should, within three months, write to the Committee explaining what assurance customers can take from its accreditation of software and how it will protect taxpayers if the software (rather than the taxpayer) makes mistakes in tax submissions or does not safeguard taxpayer data sufficiently.

6.8 The government agrees with the Committee's recommendation.

Recommendation implemented

6.9 The government has provided a full response to the Committee in the following paragraphs.

6.10 Following the Committee's June 2023 hearing, HMRC corrected oral evidence in a letter dated 29 June 2023, including confirmation that it does not accredit software.

6.11 Instead, HMRC operates a recognition or "production approvals process" to assure users that software meets its requirements. Approval depends on software meeting API specifications and undergoing testing.

6.12 Developers are also required to accept HMRC's software terms of use, covering data security requirements, encryption policies, and data-access controls.

6.13 Before introducing MTD for ITSA, HMRC will list approved software which meets minimum functionality standards on a Software Choices webpage, helping customers to choose the most suitable product for them.

6.14 HMRC has a proven software integration model, which ensures commercial products meet with HMRC's technical specifications and can integrate seamlessly with its systems. MTD for VAT has an ecosystem of over 500 commercially available products, catering to diverse customer needs and budgets.

6.15 Calculation of tax liabilities and the application of penalties remain a function of HMRC, using its own systems. However, HMRC has robust processes to protect taxpayers if, for example, they believe a software error has resulted in a penalty. This includes review and appeals processes.

6.16 HMRC would also investigate any such cases, ensuring any detrimental customer impacts are addressed. Should a major problem affect MTD software, HMRC can ultimately remove the ability of that product to upload updates to HMRC's systems, safeguarding customers and developers until problems are resolved.

First report of Session 2023-24

Department of Health and Social Care

The New Hospital Programme

Introduction from the Committee

The NHS in England has around 1,500 hospitals, where most emergency and elective care occurs. The NHS estate contains many old buildings, and its condition has been deteriorating, with some 43% built before 1985, and 15% pre-dating the NHS itself. The value of the total maintenance backlog in NHS hospitals (that is, the estimated cost of restoring all its buildings to an appropriate state) had reached £10.2 billion in 2021–22, compared with £4.7 billion in 2013–14. In 2020, the government committed to build 40 new hospitals by 2030, as well as completing eight schemes that were already in construction or pending final approval.

DHSC set up the New Hospital Programme (NHP) to deliver this commitment. Where hospital construction schemes had previously been funded centrally but delivered locally by NHS trusts, NHP would take a new approach, managing projects as a portfolio and standardising processes and designs with the aspiration, once fully implemented, of making significant time and cost savings in the development of new hospitals. HM Treasury initially provided funding of £3.7 billion for the period to 2024–25. In early 2023, it set an indicative maximum for capital funding of £18.5 billion for 2025–26 to 2030–31, taking the total to £22.2 billion (though the amount is subject to future spending reviews).

Following a reset of the programme in May 2023, NHP now includes the replacement of all seven hospitals built entirely of reinforced autoclaved aerated concrete (RAAC) which has become structurally unsound. The scheduled completion date of eight new hospitals included in the original programme has now been delayed until after 2030, and in total only 32 of the new hospitals are now planned for completion by 2030.

Based on a report by the National Audit Office, the Committee took evidence on 7 September 2023 from the Department of Health and Social Care and NHS England. The Committee published its report on 17 November 2023. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Progress with the New Hospital Programme – Session 2022-23 (HC 1662)
- PAC report: The New Hospital Programme PAC Report – Session 2022-23 (HC 77)

Government response to the Committee

1. PAC conclusion: We are extremely concerned by the lack of progress the New Hospital Programme has made in the three years since its creation.

1. PAC recommendation: DHSC should urgently examine how the programme can be made to deliver some tangible results for patients. This should include considering:

- ***whether the central programme team has the capacity and capability to manage all aspects of the programme as currently configured, including the eight schemes that do not count towards the 40 new hospitals commitment; and***
- ***whether more new hospitals should commence construction sooner using pre-existing approaches to design and contracting.***

1.1 The government agrees with the Committee’s recommendation.

Target implementation date: August 2024

1.2 The New Hospital Programme (NHP) recognises that progress has been slower than expected on some schemes as work has focused on bringing rigour around cost control and planning. It has also been important for the Department of Health and Social Care (the department) to ensure that the implications of including five additional hospitals constructed from reinforced autoclaved aerated concrete (RAAC) in the programme were fully understood.

1.3 Overall, however, the NHP has made progress. Four hospitals are open to patients, one hospital has completed construction and is due to open to patients shortly, 3 are due to open later next financial year and 18 schemes are in construction or have early construction activity underway to prepare sites.

1.4 The NHP recognises that it experienced some challenges in resourcing the Programme in its early stages, but it is now building capacity and capability rapidly through recruiting at pace and procuring a programme delivery partner. The Infrastructure and Projects Authority (IPA), NHSE and the department regularly review the capability of the NHP. The government will write to the Committee in March on programme capacity, in line with recommendation 7.

1.5 The NHP is currently examining the possibility of progressing a small number of schemes using existing approaches to both hospital design and methods of contracting, to deliver benefits to patients quickly and reduce backloading of the programme. Should this approach be progressed, schemes will be chosen based on criteria agreed with Ministers, and final decisions will be made alongside consideration of the NHP Programme Business Case by summer 2024.

2. PAC conclusion: DHSC has failed in one of its most basic duties by keeping no proper record to justify its final selection of schemes for the programme.

2. PAC recommendation: For major programmes that involve the selection of schemes from a long list of potential candidates, government should always publish information on selection criteria before decisions are taken and should always be able to provide transparent written evidence to demonstrate why successful schemes were selected.

2.1 The government agrees with the Committee’s recommendation.

Recommendation implemented

2.2 The department accepts that there was an omission in record keeping around the final selection of schemes that would be included in the Health Infrastructure Plan in 2019. However, the process was based on clear criteria and the department, NHSE, HM Treasury and No10 Downing Street agreed that the final list of schemes was the right one.

2.3 The government regularly sets out the selection process for major capital programmes before bids are invited and decisions are made. Selection criteria for schemes to take forward will vary but will consistently consider the strategic context, economic impact and risks, commercial factors, financial factors and deliverability; in line with HM Treasury’s Five Case Model as recommended by the Green Book. Scheme selection decisions in major capital programmes are inherently complex, requiring comparison between different criteria and consideration of their relative value. The department also considers the advice of NHSE when allocating funding for major capital programmes.

2.4 The department is committed to ensuring its practices, procedures, and advice result in rational decisions made through an appropriate process that take account of the right criteria. As a result, the department will be able to provide evidence on decision outcomes as needed, balanced against its responsibilities to protect certain types of information, such as commercially sensitive information.

3. PAC conclusion: Recent events have shown that DHSC will need to go faster with its efforts to deal with reinforced autoclaved aerated concrete (RAAC) in hospitals

3. PAC recommendation: DHSC should revise its plans for managing the RAAC crisis, including:

- ***Expediting surveys of the NHS estate and publishing the results in full so the extent and scale of the RAAC problem is known.***
- ***Reviewing whether the commitment to eradicate RAAC from the NHS should be brought forward from 2035, and, in light of NHS estate survey results, reviewing whether the existing £685 million fund up to 2024–25 is sufficient.***
- ***Aiming to start construction before the end of 2025 on replacements for the seven entirely RAAC hospitals.***
- ***Appointing a named senior official to oversee delivery of its RAAC plan and to support NHS trusts to make the right decisions on the safety of RAAC buildings.***
- ***To ensure transparency on this issue, writing to the Committee alongside its Treasury Minute response with its latest assessment of the scale of RAAC in other parts of the health and social care systems, including community settings, GP practices, and the adult social care sector.***

3.1 The government agrees with the Committee's recommendation.

Recommendation implemented

3.2 The NHS has been at the forefront of the public sector response to RAAC and has been surveying sites since 2019. The department will continue to work with NHS Trusts to expedite surveys where possible RAAC is identified. While publishing surveys in full will not be possible due to the commercially sensitive information contained within, the government commits to continuing to publish and update information on confirmed RAAC within the NHS on Gov.uk.

3.3 The department will continue to keep the commitment to eradicate RAAC from the NHS estate by 2035 under review. Significant RAAC eradication will occur before 2035, including the work to rebuild the seven hospitals most affected by RAAC as part of the NHP. The department supports construction on the replacements for the seven entirely RAAC hospitals as a priority, and at a minimum, we aim to begin early works to prepare sites by the end of 2025. The existing hospitals will remain open and safe due to ongoing monitoring and mitigation of existing RAAC, in line with current evidence and recommendations from the Institution of Structural Engineers.

3.4 The department regularly assesses the financial implications of increased RAAC identification. Work is on-going with Trusts where RAAC has been recently identified to assess the financial and clinical implications of eradicating RAAC from these sites. The funding needs for RAAC mitigation and eradication beyond 2024-25 will inform the department's bids at subsequent Spending Reviews and future budgets.

3.5 The department will write to the Committee with an assessment of the scale of RAAC in other parts of the health and social care system, noting there is no obligation for private owners to report the presence of RAAC to the department. The letter will include the name of the senior NHSE official responsible for its plan on RAAC.

4. PAC conclusion: DHSC must quickly complete and test its standardised hospital design to avert further delays to hospital construction, and to reduce the current high risk of cost and quality issues in years to come.

4. PAC recommendation: For the twin purposes of piloting and making progress, DHSC should aim to be ready to start construction during 2024 of at least one early scheme that uses its standardised hospital design, with a particular focus on trialling new clinical infrastructure such as standardised operating theatres

4.1 The government disagrees with the Committee's recommendation.

4.2 The government agrees that NHP should test Hospital 2.0, its standardised approach to building hospitals, and intends to do so at the earliest opportunity within one of the RAAC schemes, given the importance of prioritising these to protect patient and staff safety. However, construction is unlikely to start in 2024. Consistent evidence from major programmes demonstrates beginning construction ahead of achieving sufficient maturity of design ends up costing time and money.

4.3 The NHP is however conducting deep dive reviews into how Hospital 2.0 would work in a variety of schemes, and working closely with clinicians, NHS trusts, Royal Colleges, patient and public groups, and the supply chain to gather best practice to include in Hospital 2.0.

4.4 The standardised reference designs are being tested for fit against the constraints and contexts of specific types of hospital schemes, including low-rise and high-rise hospitals. This will provide learning on how Hospital 2.0 designs may need to be adapted when applied to other settings.

4.5 The NHP intends to test and further develop Hospital 2.0 designs through more established prototyping facilities from late 2024, subject to business case processes and approvals, alongside ongoing design work and anthropometric studies. These prototyping facilities aim to engage patients, clinicians and manufacturers in improving the designs of key elements, such as operating theatres, and aid training and familiarisation to support commissioning and efficient roll-out of services in new hospitals.

4.6 The NHP will feed back all learning from different schemes as aspects of Hospital 2.0 designs are applied into a continuous learning process.

4.7 In 2023, the NHP launched a library of Hospital 2.0 products to trusts, external parties and industry, supporting planning and scheme development, before a detailed release of Hospital 2.0 in May 2024.

5. PAC conclusion: DHSC is at risk of locking in a standard design that will result in future hospitals being too small, which could lead to significantly greater expenditure and disruption in the long run.

5a. PAC recommendation: DHSC should amend its Minimum Viable Product version of Hospital 2.0 so it does not result in future hospitals that are too small, and should set out clearly how these future hospitals fit into its assessment of total required hospital capacity nationally and by region.

5.1 The government agrees with the Committee's recommendation.

Recommendation implemented

5.2 The government agrees that it is vital that future hospitals are the right size and it will keep the assumptions on size of future hospitals under constant review.

5.3 The NHP is working jointly with wider NHSE to develop its modelling and ensure fit with regional and national modelling on the long-term infrastructure needs of the NHS, across acute, community and primary care settings. NHP is also putting forward different options on programme scope, as is normal practice, as part of its programme business case, which is due to be agreed by May 2024.

5.4 To tailor its central modelling to local needs, NHP is also developing a standardised, bottom-up model to assess the most probable net demand, jointly with NHS trusts and integrated care boards. This work requires a high level of collaboration with a wide range of local NHS and other stakeholders to combine national expertise and best practice with local knowledge.

5.5 As well as ensuring that hospitals are not too small, this approach will also ensure that hospitals are not too big, thus avoiding unnecessary capital costs and ensuring that trusts can afford the running costs of the new facilities.

5.6 One of the principles of Hospital 2.0 is that it should maximise the opportunity for future expansion, and this has been factored in standard designs to ensure this can happen for minimum cost and operational disruption.

5b. PAC recommendation: The Health and Social Care Committee may wish to consider holding an inquiry into DHSC's assumptions about the design of future hospitals.

5.7 The government notes the Committee's recommendation.

5.8 The department will engage with any subsequent Health and Social Care Committee inquiries regarding the design of future hospitals within the NHP.

5.9 The department is working with trusts to ensure that plans for NHP schemes meet the requirements of local communities and continues to review the Hospital 2.0 designs with clinicians and industry experts. The next release of Hospital 2.0 products is expected in May 2024.

6. PAC conclusion: There appears to be insufficient funding for DHSC to build all the hospitals it plans, and to an adequate size, by 2030.

6. PAC recommendation: DHSC should be realistic about the likely cost of schemes and what can be afforded by 2030. As well as addressing the shortcomings in its Minimum Viable Product version of Hospital 2.0, it should engage further with the construction industry to understand and manage likely capacity constraints. It and HM Treasury should agree explicitly and in writing whether the pre-2030 costs of eight delayed cohort 4 schemes are to be met from the current agreed funding envelope.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: May 2024

6.2 The government agrees that the NHP's programme plan and costs should be realistic and deliverable. In May 2023, the government gave greater clarity on programme scope and funding in its announcement confirming that the NHP is expected to be backed by over £20billion of investment. The department has provided all schemes with an indicative funding envelope on which they can base their programme plans. All trusts will still need to go through business case approval processes. As outlined in response to recommendation 5, the NHP is keeping assumptions on size of future hospitals under constant review.

6.3 The NHP also agrees that it should continue to engage with the construction industry to understand and manage likely capacity constraints and is already implementing an extensive market engagement strategy to this effect. The NHP held a market engagement event in November 2023, which updated industry on the current status of the programme and future plans and was attended by over 300 supplier or business organisations across eight primary market areas.

6.4 The NHP is developing a third version of the programme business case with different options, as is usual practice, with a view to securing approval through the government's Major Projects Review Group by May 2024 and confirming funding through future Spending Review processes. Once agreed with HM Treasury, the intention is for the programme business case to include a specific amount of proposed funding for the pre-2030 costs of the eight schemes expected to complete after 2030. The government remains committed to all schemes in the NHP, including those expected to complete after 2030.

7. PAC conclusion: The Programme is over-reliant on consultancy services.

7. PAC recommendation: DHSC should work with HM Treasury and the Cabinet Office to develop a strategy for attracting into the civil service and retaining there the skills it needs to run a rolling programme of hospital construction; it should write to the Committee by March 2024 setting out what it will do differently in future.

7.1 The government agrees with the Committee's recommendation.

Target implementation date: March 2024

7.2 The NHP is a highly complex infrastructure project that requires significant technical expertise. External professional and technical expertise is a regular part of large construction programmes, and the NHP's approach is in line with other major government programmes at this stage. The NHP has a recruitment strategy that covers the full breath of its required resource over the duration of the programme lifecycle, and the procurement of a programme delivery partner. The department regularly engages with HM Treasury and Cabinet Office on this and will write to the Committee by March 2024 as requested.

7.3 There is a shortage of skilled specialists across the Civil Service which affects the delivery of many major government projects, and there have been difficulties in recruiting people to senior leadership positions in the NHP. The NHP is actively recruiting into key roles in the department and NHSE, including project and programme management, digital and workforce change, procurement and other commercial expertise. Resourcing is regularly monitored by the NHP People Committee to ensure that the NHP has the right level of resources to deliver the programme effectively.

7.4 The NHP also recognises that some roles are more appropriate to fill with specific external expertise, examples being architects and engineers. Specific external expertise will be procured through a programme delivery partner. NHSE launched the procurement for this delivery partner in November 2023. The government's view is that a programme delivery partner approach is necessary to enable the NHP to secure the flexible capability it needs to meet emerging risks and challenges, but that as the programme matures, it may be possible for some of this resource to eventually be replaced by directly employed individuals.

8. PAC conclusion: The raiding of capital budgets in the recent past is an underlying cause of the estates crisis the NHS is now in.

8. PAC recommendation: DHSC should not reduce planned capital investment to meet day-to-day spending needs in future; if officials were to consider doing this again we would expect the Permanent Secretary to write to Ministers explaining the likely real-life consequences of such a course of action.

8.1 The government agrees with the Committee's recommendation.

Recommendation implemented

8.2 The government recognises the importance of capital investment in the NHS and the role it plays in an effective and productive healthcare system. The department is providing the NHS with record amounts of capital, including £12 billion of operational capital between 2022-23 and 2024-25 to address the most pressing priorities.

8.3 The decision to switch capital budgets to revenue is only made in exceptional circumstances. When such switches are enacted, capital programmes with forecasted underspends are prioritised for a switch rather than proactively delaying programmes. The department also enacts some adjustments where, to meet the same programme aims, the currency of spend has changed from capital to revenue.

8.4 Although the government agrees with the Committee's recommendation in principle, it is right that the department regularly assesses its priorities so that budgets are targeted effectively. Therefore, the government suggests that the usual processes when advising Ministers of the impact of financial decisions, including switching of capital budgets, continue to be followed. The department will continue to make these considerations clear as part of Ministerial advice, with any switches then being approved by HM Treasury.

8.5 Looking forward, the government is committed to providing more certainty for NHS capital through rolling programmes of investment in NHS infrastructure.

Second Report of Session 2023-24

Department for Education

The condition of school buildings

Introduction from the Committee

There are 21,600 state schools in England, educating 8.4 million pupils. Between them, these schools have around 64,000 buildings, which can vary in age and design even on the same site. The 'responsible body' in control of the school—usually the relevant local authority, academy trust or voluntary-aided body—must manage the condition of its buildings and ensure they are safe. DfE has overall responsibility for the school system in England, setting the policy and statutory framework and bearing ultimate accountability for achieving value for money from the funding provided to schools, including for school buildings.

DfE distributes funding to responsible bodies, collects data on the condition of school buildings, conducts surveys on specific issues, and itself delivers some estate-related programmes. It has a clearly articulated principle to rebuild schools in the worst condition while allocating enough funding to allow responsible bodies to maintain the rest of the school estate. DfE considers that exclusively spending money on the poorest condition buildings would not deliver best long-term value for money

Based on a report by the National Audit Office, the Committee first took evidence from the Department for Education (DfE) about the condition of school buildings in England on 13 July 2023. On 31 August 2023, DfE significantly changed its safety guidance for schools that were confirmed to have reinforced autoclaved aerated concrete (RAAC) – a lightweight form of concrete susceptible to structural failure that could lead to a school building suddenly collapsing. In response, the Committee took evidence from DfE again on 11 September 2023. The Committee published its report on 19 November 2023. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Condition of school buildings – Session 2022-23 (HC 1516)
- PAC report: The condition of school buildings – Session 2023-24 (HC 78)

1: PAC conclusion: DfE still has incomplete knowledge on the number and condition of schools with RAAC, with questions about the reliability of some of its information.

1a: PAC recommendation: DfE needs to urgently assess the risks of inaccuracies within RAAC questionnaire returns and specialist surveys, so that it considers these risks in its overall approach, decision-making and guidance.

1.1 The government agrees with the Committee's recommendation.

Recommendation implemented

1.2 In 2022 the Department for Education (the department) issued a questionnaire and guidance asking responsible bodies for schools and colleges to identify whether they suspected they had reinforced autoclaved aerated concrete (RAAC), in line with their responsibilities to manage their estates and keep pupils and staff safe.

1.3 All responsible bodies for schools and colleges with blocks built in the target era have submitted responses to the questionnaire. The Department for Education's RAAC identification programme is complete, and the questionnaire has closed.

1.4 A final list of schools and colleges with confirmed cases of RAAC in England was published on 8 February 2024 Any school or college that advised us they suspect they might have RAAC has had a survey to confirm if RAAC is present. Other than the 234 education settings, the surveys found no evidence of RAAC. A small number of schools and colleges are carrying out additional checks for further assurance in some spaces. The department is working with responsible bodies to support them to complete these additional checks as quickly as possible. As these final checks are completed, the department expects the number of further cases to be very low. This has been the case over the last two months, where only three cases have been identified.

1.5 The department has conducted significant further checks with responsible bodies where there was uncertainty over their initial response about RAAC. On the overall condition of the estate in England, the Condition Data Collection (CDC) has provided consistent data on schools, including those with RAAC. CDC2 is now in train and is providing updated data on the estate.

1b: PAC recommendation: DfE should expedite its programme of specialist surveys where RAAC is suspected, and in due course publish the full set of results so that the extent of the RAAC problem is known.

1.6 The government agrees with the Committee's recommendation.

Recommendation implemented

1.7 The Department for Education has moved at pace to support identification of RAAC in the school and college estate, including ramping up its programme of professional surveys to verify its presence, when responsible bodies have informed the department that it may be present.

1.8 All responsible bodies for schools and colleges with blocks built in the target era have submitted responses to the questionnaire. The Department for Education's RAAC identification programme is complete, and the questionnaire has closed. A final list of schools and colleges with confirmed cases of RAAC in England was published on 8 February 2024. Any school or college that advised us they suspect they might have RAAC has had a survey to confirm if RAAC is present. Other than the 234 education settings, the surveys found no evidence of RAAC. A small number of schools and colleges are carrying out additional checks for further assurance in some spaces. The department is working with responsible bodies to support them to complete these additional checks as quickly as possible. As these final checks are completed, the department expects the number of further cases to be very low. This has been the case over the last two months, where only three cases have been identified.

2: PAC conclusion: DfE's risk appetite regarding the school estate, and how this aligns with its recent approach on RAAC, appears unclear.

2a: PAC recommendation: DfE should clarify its risk appetite with regard to safety issues across the school estate and ensure that this feeds through into consistent decision-making, with a nominated senior official in charge.

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 All pupils must learn in safe buildings. The responsibility for keeping school buildings safe and compliant with relevant regulations lies with schools and their responsible bodies – local authorities, academy trusts, or voluntary aided school bodies. The department supports them by providing access to annual capital funding, rebuilding programmes and extensive guidance and support, including on specific risks. It has always been the case that where the department is alerted to a serious issue with a building that poses a risk to safety immediate action is taken with responsible bodies. Where serious issues cannot be managed independently by responsible bodies, the department provides additional support on a case-by-case basis.

2.3 The safety of pupils and staff is the department's absolute priority, which is why it took immediate further action on RAAC when new evidence emerged over the summer of 2023. The department acted with the utmost caution in addressing the risk for the education estate, although the technical advice does not recommend removal in all cases where it is present. The department has established a comprehensive plan to mitigate and permanently resolve it.

2.4 The principal risks being managed by the department and owned at Director General level, are managed on a day-to-day basis in the relevant director's area to help ensure a consistent approach.

2.5 The department keeps under review how it can best support responsible bodies to meet their duties to manage the estate safely and effectively.

2b: PAC recommendation: In line with the approach already taken by DHSC, DfE should make clear when and how it plans to have eradicated RAAC from the school estate.

2.6 The government agrees with the Committee's recommendation.

Recommendation implemented

2.7 There are over 22,000 schools and colleges in England and the vast majority are unaffected by RAAC.

2.8 All responsible bodies for schools and colleges with blocks built in the target era have submitted responses to the questionnaire. The Department for Education's RAAC identification programme is complete, and the questionnaire has closed. A final list of schools and colleges with confirmed cases of RAAC in England was published on 8 February 2024. Any school or college that advised us they suspect they might have RAAC has had a survey to confirm if RAAC is present. Other than the 234 education settings, the surveys found no evidence of RAAC. A small number of schools and colleges are carrying out additional checks for further assurance in some spaces. The department is working with responsible bodies to support them to complete these additional checks as quickly as possible. As these final checks are completed, the department expects the number of further cases to be very low. This has been the case over the last two months, where only three cases have been identified.

2.9 No pupils in England are learning in buildings with confirmed RAAC, unless those buildings have had measures implemented to make them safe.

2.10 The government has committed to remove RAAC from the school and college estate for good. The department is funding the removal of RAAC present in school and colleges either through grants, or through the School Rebuilding Programme. The longer-term requirements of each school or college will vary depending on the extent of the issue and nature and design of the buildings. Permanently removing RAAC may involve refurbishment of existing buildings or rebuilding affected buildings.

2.11 On 8 February 2024 the department confirmed to schools and colleges how it will fund them to remove RAAC permanently. 119 schools are being included within the School Rebuilding Programme where works to remove RAAC are more extensive or complex. 110 schools and colleges will receive grant funding where works will typically be smaller in scale. Five schools and colleges have alternative arrangements in place, for example, the building will not be part of the school or college estate over the longer term.

3: PAC conclusion: Schools are uncertain about the support they can access to mitigate RAAC-related issues, and how they will be reimbursed financially.

3: PAC recommendation: DfE needs to re-examine its process for funding temporary mitigation measures, ensuring it achieves the right balance between accessibility and value for money, communicating this clearly and consistently to schools.

3.1 The government agrees with the Committee's recommendation.

Recommendation implemented

3.2 The department is funding emergency capital works needed to mitigate the presence of RAAC in schools and colleges in England. This could include installing structural strengthening or temporary buildings. All reasonable requests for additional help with revenue costs, like transport to locations or temporarily renting a local hall, are being approved.

3.3 Every school or college with confirmed RAAC has been assigned dedicated support from a team of caseworkers. They have worked with them to put in place a bespoke plan that supports face-to-face education for all pupils as soon as possible based on their circumstances and provide support to access funding.

3.4 The department is working closely with responsible bodies to process requests as quickly as possible and ensure processes are not burdensome, while providing proportionate levels of assurance. The department has kept its processes and guidance under review. The department can also arrange urgent payments where necessary, if for example, a responsible body has cash-flow challenges.

3.5 The government has committed to remove RAAC from the school and college estate for good. Schools and colleges have been offered capital grants to fund refurbishment work to permanently remove RAAC, or rebuilding projects where these are needed, including through the School Rebuilding Programme.

4: PAC conclusion: There remains a lack of transparency for schools, parents and communities on where RAAC exists and how long it will take to be fixed.

4: PAC recommendation: DfE must write to the Committee, alongside its Treasury Minute response, with its latest assessment of the scale of the RAAC problem, its overall plan to deal with it, and the likely associated costs.

4.1 The government agrees with the Committee's recommendation.

Recommendation implemented

4.2 The department will write to the Committee alongside publication of the Treasury Minute.

5: PAC conclusion: DfE has incomplete knowledge of the prevalence of asbestos across the school estate.

5: PAC recommendation: As soon as possible, DfE should provide us with evidence that it has a full picture of asbestos across the school estate, having received survey returns from all schools and ensuring that every relevant school has an adequate asbestos management plan in place.

5.1 The government agrees with the Committee’s recommendation.

Target implementation date: December 2026

5.2 The department takes the safety of children and those who work with them incredibly seriously – which is why it expects all local authorities, governing bodies and academy trusts to have robust plans in place to manage asbestos in school buildings effectively, in line with their legal duties.

5.3 Asbestos management in schools and other buildings is regulated by the Health and Safety Executive (HSE). The Health and Safety Executive advises that, as long as asbestos-containing materials are in good condition, well protected, and unlikely to be damaged or disturbed, it is usually safer to manage them in place.

5.4 The department has published guidance on effective management of asbestos in schools. The department previously run an Asbestos Management Assurance Process (AMAP) - a survey launched in March 2018 to understand the steps schools and those responsible for their estate were taking to manage asbestos. The AMAP survey has now been incorporated into the Condition Data Collection 2 (CDC2) programme, which will collect data on every state funded school in England. CDC2 is in train and as of the end of January 2024, 631 (42.3%) of non-responders to AMAP had been visited, reducing the number of non-responders from 1,491 (6.7%) to 860 (3.9%). The full dataset will be available by 2026.

5.5 The department has, and continues to, share any concerning data on schools with HSE which is responsible for setting the policy and regulations for schools on asbestos management and compliance – and which undertakes its own investigations of schools, and issues warnings notices or stronger sanctions, where necessary.

5.6 The department also, in collaboration with HSE and Regional teams, continues to follow up with AMAP non-responders and any concerning practice through CDC2. CDC2 is expected to be completed in 2026 when a final set of asbestos data and conclusions will be available.

6: PAC conclusion: Unacceptable numbers of pupils are learning in poorly maintained or potentially unsafe.

6: PAC recommendation: Within the next year, DfE should develop a package of support and good practice to help those responsible for mitigating the negative impact on pupils and teachers of schools that are in poor condition but cannot yet be fixed.

6.1 The government agrees with the Committee’s recommendation.

Recommendation implemented

6.2 It is the responsibility of responsible bodies to keep their buildings safe and carefully prioritise investment over time. It is already the case that where responsible bodies have serious issues with their buildings that cannot be managed independently, the department provides additional support on a case-by-case basis through the department's capital teams.

6.3 The government has allocated over £15 billion since 2015 to improve the condition of the school estate, including £1.8 billion committed in financial year 2023-24. Funding allocations are informed by consistent data on the condition of the school estate, so that responsible bodies with schools in relatively poorer condition attract greater funding. In addition, the School Rebuilding Programme is transforming poor condition buildings at over 500 schools, including schools with RAAC that need rebuilding projects.

6.4 Around 31% of the estate by floor area has been built since 2000. The condition data survey also shows that over 95% of the individual condition grades awarded to building elements were As and Bs - meaning in a good or satisfactory condition.

6.5 The figure of 700,000 pupils in buildings that may require replacement stated by the National Audit Office (NAO) is often misinterpreted as it is based on the total number of pupils in schools nominated to the School Rebuilding Programme (SRP) in 2022 by responsible bodies (1097) and the first 100 previously selected by the department. Nominations to SRP give an indication of refurbishment need, but as responsible bodies self-nominated, this is, of course, subjective. The figure is also for all pupils in these schools, whereas buildings in poor condition are often only a part of each estate.

6.6 The department robustly assessed the nominations and selected schools with the greatest need. All nominations for schools with evidence of exceptional need, such as structural issues, verified by the department against the programme criteria, were included.

6.7 The department already provides extensive guidance and support to the sector on effective and safe management of school buildings, through the well-regarded Good estate management for schools manual, which sets out best practice, including strategic estate management, managing resources, prioritising maintenance and health and safety compliance, the Estate management competency framework which sets out the skills and knowledge needed to manage school estates at all levels, from operational staff through to leadership; and the Capital advisers programme (CAP) offers multi-academy trusts bespoke recommendations from experienced technical advisers.

6.8 The department, however, keeps its guidance and support under review so that it meets the needs of the sector.

7: PAC conclusion: DfE has focused on reactive measures addressing immediate building concerns that often fail to take account of longer-term value for money considerations.

7a: PAC recommendation: Within the next year, DfE should set out its strategy for encouraging responsible bodies to carry out timely and effective repairs to better protect longer-term value for money.

7.1 The government agrees with the Committee's recommendation.

Target implementation date: February 2025

7.2 The department expects responsible bodies to maintain their estates in a safe condition, compliant with relevant regulations, and to plan management of their assets to deliver value for money. The department already provides extensive guidance on effective and strategic estate management through its Good estate management for schools manual, which is regularly updated – and emphasises the need for strategic planning and prioritisation of investment over time to deliver value for money, as well as ensuring effective maintenance and checks, to minimise deterioration and issues with buildings.

7.3 In June 2023, the department published the [Estate management competency framework](). This sets out the skills and knowledge needed to manage school estates at all levels, from operational staff through to leadership. The Capital Advisers Programme (CAP) offers bespoke recommendations from experienced technical advisers and aims to help responsible bodies achieve safe, well-maintained buildings through effective practice and efficient use of funding. The department is expanding the number of trusts included in 2023-24 with potential scope to expand further in 2024-25.

7.4 The department's funding methodology aims to aggregate available funding in into larger pots which can then be prioritised across groups of schools in the most efficient way, according to need. This may include concentrating funding on larger projects when required. The department's rebuilding programmes also replace buildings in the worst condition, freeing up responsible bodies to use their capital funding to address wider priorities.

7.5 While existing guidance and programmes support strategic management of the estate, the department keeps its approach under review. The department recognises there is some variability in the approach taken by different responsible bodies. It is considering how it may further clarify their roles and support responsible bodies to manage their estates effectively for the long-term.

7b: PAC recommendation: DfE should also reconsider its value for money analysis on fitting fire safety measures.

7.6 The government agrees with the Committee's recommendation.

Target implementation date: September 2024

7.7 The department continues to engage with the Government Actuary Department to review Home Office Data on fires in education buildings and the impact of fitting sprinklers as standard on new school buildings.

7.8 A response will be included in any new version of the department's guidance on Fire Safety (BB100), which is expected to be published later in 2024.

8: PAC conclusion: The School Rebuilding Programme is behind its initial schedule for getting contracts in place and schools built.

8: PAC recommendation: DfE should provide us with assurance that it has a good understanding of how current and likely future challenges will affect the timetable and costs for the School Rebuilding Programme, including by carrying out appropriate scenario-planning should likely and significant risks materialise.

8.1 The government agrees with the Committee's recommendation.

Target implementation date: December 2024

8.2 There are now over 500 schools in the School Rebuilding Programme, including schools with RAAC that need rebuilding projects. The department made rapid progress in setting up the programme and had selected 400 schools by December 2022, ahead of schedule.

8.3 While the National Audit Office (NAO) highlighted that the department had not met initial programme forecasts for the number of contracts awarded, these forecasts were made ahead of the impact on the construction market of significant global events outside of the department's control that could not have been reasonably predicted, such as the Russian invasion of Ukraine.

8.4 The NAO made clear in its 2023 report on the condition of school buildings that the department has already taken steps to address delays related to these issues, including changing project funding policy to reflect market conditions. There are indications the department is now seeing a more stable position, with overall progress on track to deliver the programme as planned. Where construction contracts have been awarded to date, the department has been delivering projects, faster on average, than expected durations.

8.5 The programme is part of the government's major projects portfolio. The programme manages risks robustly, continually monitoring the horizon for internal and external factors that could impact on delivery, so it is able to respond quickly to such challenges. There are established processes for formally reviewing progress and overall risks to delivery of the programme through regular Infrastructure and Project Authority (IPA) gateway reviews. The IPA has previously rated progress as very good and commented that the programme was well managed. The next gateway review is expected to take place later in 2024.

9: PAC conclusion: There is considerable variation across the school estate, including regional disparity in the condition of school buildings and differences in school types and governance models, which will influence the type of support DfE needs to provide.

9: PAC recommendation: DfE should review its guidance, support and financial allocations designed to help reduce variation in the condition of school buildings and the capability of those managing the estate, and make improvements where necessary.

9.1 The government agrees with the Committee's recommendation.

Target implementation date: March 2025

9.2 This government introduced the Condition Data Collection (CDC), the first ever comprehensive survey of the school estate and one of the largest data collection programmes of its kind in Europe. CDC2 is now in train to provide updated data on the estate.

9.3 The department's capital funding programmes are already targeted on need. For example, School Condition Allocations provided to large responsible bodies annually, take account of the relative condition of their schools, based on consistent data from its survey programme. The department's bid-based programmes robustly assess applications based on the published criteria. Unlike previous programmes, like Building Schools for the Future, the School Rebuilding Programme prioritises projects based on evidence of need rather than other factors. The department's funding methodology also takes account of the different types and size of responsible body in the sector, so that funding can be aggregated into larger pots which can be more efficiently prioritised across groups of schools, with funding then concentrated on larger projects where required.

9.4 The department provides extensive guidance on effective estate management, as well as advice on specific issues such as managing asbestos safely. In June 2023, the department published the Estate Management Competency Framework. This sets out the skills and knowledge needed to manage school estates at all levels, from operational staff through to leadership. The Capital Advisers Programme (CAP) offers bespoke recommendations from experienced technical advisers and aims to help responsible bodies achieve safe, well-maintained buildings through effective practice and efficient use of funding. The department published an evaluation report on the first stage of the Capital Advisers Programme and are expanding the number of trusts included in 2023-24. This is being kept under close review, with potential scope to expand further in 2024-25.

9.5 The department keeps its approach to capital funding, guidance and support for improving the condition of the school estate under review. Representative data from the on-going Condition Data Collection 2 should be available in 2024 to further inform capital funding policy and any changes to the allocation methodology for the 2025-26 financial year.

9.6 Capital funding beyond 2024-25 is subject to the next Spending Review.

10: PAC conclusion: It is unclear whether decisions concerned with addressing the condition of the estate are coordinated with those relating to the need for school places.

10: PAC recommendation: DfE should consider how local authorities can best be supported, and put in place the necessary measures, to ensure that the need for high quality places across the estate is considered when decisions are taken on reducing school places locally.

10.1 The government agrees with the Committee’s recommendation.

Recommendation implemented

10.2 The statutory duty to ensure sufficient school places sits with local authorities. Local authorities already consider overall place requirements and forecast demand in their areas, including when making decisions about reducing school places. There is currently a period of declining birth rates, but local authorities are well placed to handle this, having managed periods of decline, bulges and shifts in local patterns before. They do however require the support and constructive engagement of other responsible bodies in the area to work collaboratively on place planning matters.

10.3 It is prudent to retain some spare capacity in the system, to manage shifting demand and unexpected changes, provide for parental choice and support effective management of the admissions system. The department expects local areas to avoid excessive levels of surplus capacity. Local authorities and other responsible bodies should work together to manage the estate efficiently by reducing or finding alternative uses for high levels of surplus, to avoid potential detriment to the educational offer or financial position of schools in the area.

10.4 The department would expect local authorities, trusts and other local partners to consider a spectrum of options for the reutilisation of space, including for example co-locating nursery or special educational needs and disability (SEND) provision, as well as options for reconfiguration, including via remodelling, amalgamations/mergers, and closures where this is the best course of action. Local factors should be carefully weighed up, along with considerations of the quality, diversity and accessibility of local provision and the forecast demand for places, to determine the most appropriate approach in a given area. The department’s Pupil Place Planning Advisers engage with local authorities on a regular basis to review their plans for places in their area; and when local authorities are experiencing difficulties, they offer support and advice.

10.5 The department ensures that the School Rebuilding Programme (SRP), which prioritises poor condition buildings, considers opportunities for reducing the overall capacity of rebuilt schools when current and forecast need in the school and planning area has reduced, scrutinising and challenging sufficiency data where necessary.

10.6 In addition to capital funding to support local authorities to meet their sufficiency duty, the department provides them with revenue funding for growth and falling rolls, through their Dedicated Schools Grant (DSG). This funding can be used by local authorities to support schools with managing a significant growth in pupil numbers before the lagged funding system has caught up or a short-term decrease in pupil numbers, where those places are forecast to be required in future years. The Department has allocated £242 million in Growth and Falling Rolls funding to local authorities in 2024-25 through the DSG, and for the first time this funding is being allocated based on falling rolls as well as growth. The department is also giving local authorities greater flexibilities to use this funding to meet the revenue costs of reducing surplus places.

Third report of Session 2023-24

Department for Work and Pensions

Revising health assessments for disability benefits

Introduction from the Committee

The Department for Work & Pensions (the Department) supports people with disabilities through a range of disability benefits, including Employment and Support Allowance (ESA), Universal Credit (UC) and Personal Independence Payments (PIP). There are around 3.9 million working-age people receiving at least one of the principal disability benefits. The Department uses functional health assessments to help it assess whether people are eligible for disability benefits. DWP currently contracts with three providers to undertake functional health assessments, with one providing Work Capability Assessments and the other two providing assessments for Personal Independence Payments (PIP).

The Department set up the Health Transformation Programme (the Programme) in July 2018 to transform the functional health assessment and PIP application processes. It aims to do this by digitising the process, enabling online applications, improving case management, and triaging claims. As a result, the Programme aims to make the health assessment process simpler, more user-friendly, easier to navigate and more joined up for claimants, while delivering better value for money for the taxpayer. The Department expects the programme to cost £1 billion, of which it has spent £168 million up to March 2023. It expects the programme to achieve benefits equivalent to £2.6 billion by improving the speed and accuracy of its decisions, giving claimants better support, and improving claimants' trust in the decisions the Department makes. It believes this will reduce its own costs and deliver £1.3 billion of wider societal benefits, mostly through increasing claimant engagement with employment support which can then lead to higher employment of those with disabilities.

The Department plans to roll out its new service—the Health Assessment Service—for managing health assessments and claims for PIP by 2029. Until then, the Department intends for an interim assessment service—the Functional Assessment Service—to be provided under four geographic contracts from 2024 to 2029, covering the whole of Great Britain and costing around £2 billion. The Department has also set up two new offices— Health Transformation Areas—in London and Birmingham to develop the new service in house, outside of the outsourced Functional Assessment Service.

Based on a report by the National Audit Office, the Committee took evidence on Thursday 6 July 2023 from the Department for Work and Pensions. The Committee published its report on 29 November 2023. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Transforming health assessments for disability benefits – Session 2022-23 (HC 1512)
- PAC report: Revising health assessments for disability benefits – Session 2023-24 (HC 79)

Government response to the Committee

1. PAC conclusion: The success of the Health Transformation Programme depends on the Department's ability to genuinely transform the experience people have when applying for disability benefits.

1.1 The government notes the Committee's conclusion.

2. PAC conclusion: There is a risk that the Department will deliver a new service without the important improvements to claimant's experience.

2. PAC recommendation: The Department should publish a revised business case, no later than spring 2024, with details on how its desired transformation of the health assessments for disability benefits will result in the promised benefits for claimants and how it will track and assess progress towards this.

2.1 The government agrees with the Committee's recommendation**.**

Target implementation date: Spring 2024

2.2 The Department for Work and Pensions (the department) is updating the Health Transformation Programme (HTP) business case, based on the approved Programme scope at November 2023. This business case is based on delivery of the HTP in line with the current programme plan, as well as the costs and benefits of the transformed Personal Independence Payments (PIP) end-to-end journey, including Apply for PIP.

2.3 The Programme's benefits, as outlined in the business case, will be tracked by the department using a combination of administrative data analysis, and both qualitative and quantitative research, as set out in the Programme's Evaluation Strategy (published in May 2023).

2.4 The department will publish a summary of the business case following the receipt of the necessary internal and cross-government clearances, which the department expects to receive by Spring 2024. The department will also publish a summary of its Accounting Officer Assessment alongside this.

3. PAC conclusion: The Department's approach to monitoring the Programme's progress and performance has so far focused on process and not on the transformation of the service for benefit claimants.

3. PAC recommendation: The Department should publish, as part of its new business case and through annual progress reports, outcome indictors that include the benefits of the Programme for claimants, which it, Parliament and the public can use to:

- ***evaluate its testing of the new service, including establishing baseline performance against the 47 key performance indicators;***
- ***assess whether it is on track to achieve the benefits it intends for claimants; and***
- ***monitor claimants' experience of the Health Assessment Service and Functional Assessment Service.***

3.1 The government disagrees with the Committee's recommendation**.**

3.2 The government agrees with the premise of transparency; the department will publish information once available and sufficiently robust. The Programme is in its early stages and is currently creating the right environment to transform services. As set out in the HTP Evaluation Strategy (May 2023), the department will refine its performance measurement approach as the Programme matures. This will include defining and tracking outcome indicators incorporating benefits to claimants.

3.3 In line with Office for Statistics Regulation (OSR) Code of Practice for Statistics, the department has started to publish management information (MI) and will continue to develop plans for publishing metrics. On 19 December 2023, the department published the first in a new series of HTP MI. Publication of this MI will continue quarterly in line with the PIP Official Statistics release schedule.

3.4 As the Programme and underlying data systems mature, the department will evolve this publication to report against the nine key performance indicators (KPIs) and underlying performance metrics. The department will consider the value of publishing annual progress reports in addition to these quarterly statistics.

3.5 As set out in the HTP Evaluation Strategy, the department is evaluating services as they develop and iterate. This includes conducting research with claimants to understand their experiences of new services. This approach ensures that scaling of these services occurs safely and that services can iterate accordingly. The department will explore publication of evaluation findings, in accordance with Government Social Research protocols, when appropriate to do so.

4. PAC conclusion: The Department's approach to working with contractors as part of the Programme could leave the taxpayer vulnerable to contractual disputes, higher costs and delays.

4a. PAC recommendation: The Department should set out, as part of its Treasury Minute response, how it will:

- ***incentivise contractors operating under standard service contracts to work with it to expand the test-and-learn activity to the level needed with excessive time and cost implications; and***
- ***manage the risk of that FAS contractors will gain a competitive advantage should the Department decide to contract out the transformed health assessment service in 2029;***
- ***manage the procurement process to promote competition between contractors in order to reduce the costs to the taxpayer.***

4.1 The government agrees with the Committee's recommendation.

Recommendation implemented

4.2 The Functional Assessment Service (FAS) contracts contain specific contractual levers and mechanisms to enable the supplier involvement required to support transformation. This includes test and learn activity and the expansion of the new Health Assessment Service (HAS). Suppliers are incentivised strategically by being a partner in the development of future services, and through mechanisms such as gainshare where suppliers share the rewards that transformation drives.

4.3 Competitive advantage by incumbent suppliers can never be completely overcome, but the department will mitigate this through market transparency and robust procurement processes to encourage competition and increased participation. The department has demonstrated the ability to achieve this in the recently awarded FAS contracts, with two new suppliers.

4.4 The department's future health commercial strategy will be developed from 2024, putting the department in a strong position to replace services in 2029 and commence transformed services. The strategy will follow Sourcing Playbook best practice, considering the department's role and interaction with the Market, through application of a delivery model assessment. It will focus on understanding the role of suppliers in the transformed HAS, including whether any element would be best delivered directly by the department; development of the right marketplace for those services, transparency of information with that market as the department continues to develop HAS, the opportunity for market input to the development of services in readiness for procurement, and how best to procure future services.

4.5 The strategy will also explore new contracting mechanisms offered by new UK Procurement Regulations that the department expects to provide more flexibility for contracting authorities in such complex procurements.

4b. PAC recommendation: The Department should set out as part of its Treasury Minute response how it will identify and learn lessons from the approach taken by devolved administrations, to help it retain bringing the service in house as an alternative delivery option.

4.6 The government agrees with the Committee's recommendation**.**

Recommendation implemented

4.7 The department has been engaging with Scotland to share best practice to help inform Programme plans and will closely scrutinise the outcomes from the move to Adult Disability Payment, as well as any evaluation produced. The Programme will continue to actively explore the approach taken by devolved administrations and other and other international comparators where appropriate.

4.8 The delivery model assessment as part of the future health commercial strategy referred to above will also consider whether any elements of the transformed health assessment service would best be delivered directly by the department at the appropriate time. To inform the strategy, the Programme will be seeking to learn from similar experience across government, including the devolved administrations.

5. PAC conclusion: We are concerned that the Department has not done enough to communicate and engage with the public and claimants about what they can expect from the revised service.

5. PAC recommendation: The Department should set out as part of its Treasury Minute response how it will:

- ***fully involve claimants in the design and implementation of the changes it plans to the disability benefits system; and***
- ***raise awareness nationally of the changes it is making to the health and disability benefits system and what this will look like in practice for claimants.***

5.1 The government agrees with the Committee's recommendation**.**

Recommendation implemented

5.2 One of HTP's aims is to increase trust in disability benefits services. This cannot be achieved without working closely with claimants and their representatives and the department values the relationships it has built to ensure strong ongoing claimant voice. HTP has taken, and will continue to take, a claimant-focussed approach. HTP service design has been informed by user research conducted with claimants, operational staff and health care professionals, including one-to-one sessions with claimants at each stage of their claim. This continued approach will enable the department to develop the new services iteratively and tailor communication to claimants' needs.

5.3 Since HTP began, the department has engaged with a significant number of stakeholder organisations, establishing positive relationships with representative groups by identifying opportunities for co-design and seeking their expertise before the department begins to develop and test new processes. The department is confident this proactive, collaborative approach to involve stakeholders will lead to better outcomes for claimants.

5.4 The department has publicly communicated the scope and ambition of the programme through Written Statements to Parliament, the White Paper on Health and Disability and the Health Transformation Programme evaluation strategy. The department will continue to take opportunities to inform Parliament and the public about the changes that the Programme will bring and will publish a summary of the business case, once approved, in Spring 2024, alongside a summary of its Accounting Officer Assessment. Stakeholder engagement is gradually increasing as activity in the Programme accelerates and to recognise increasing external interest since the publication of the White Paper.

5.5 The Programme is taking a long-term, phased approach that will move away from the current ways of operating, gradually and carefully. The department recognises the need to build awareness of the Programme and its plans as these develop and as the detail of the changes for claimants become clearer.

6. PAC conclusion: The Department has not worked out how it will manage the inevitable differences between claims made and processed in its new test areas and in areas using the current service.

6. PAC recommendation: The Department needs to monitor and publish data on the services provided in each transformation area and by each provider, so it can identify and manage any differences in the standard of service being delivered. This should include measures of how initial health assessment recommendations are changed by DWP officials and decisions are altered at mandatory reconsideration and appeal.

6.1 The government disagrees with the Committee's recommendation.

6.2 On 19 December 2023, the department published the first in a new series of HTP MI. Publication of this MI will continue quarterly in line with the PIP Official Statistics release schedule.

6.3 This release includes monthly information on the number of referrals to the Health Transformation Area (HTA). As the programme and underlying data systems mature, the department will be able to evolve this publication to report against KPIs and underlying performance metrics.

6.4 Health assessments are conducted on the same legislative basis and same clinical standards across providers. The department will keep under review what data can be published on performance of the existing providers and is currently designing the publication strategy for when new FAS contracts are in place from Autumn 2024.

6.5 The department already publishes overturn rates at Mandatory Reconsideration (MR) and appeal in the PIP Official Statistics and will look to include equivalent measures within future HTP statistical publications once the service is suitably developed and robust, and where publishing will provide a representative picture of the HTP's progress.

7. PAC conclusion: It is not acceptable that the Department has spent £168 million on the Programme, and is about to commit to a further £2 billion for the Functional Assessment Service, without being transparent to Parliament about whether it is meeting Accounting Officer standards.

7. PAC recommendation: HM Treasury should write to the committee within three months, listing any other GMPP programmes that have not published their Accounting Officer assessments, that would be expected to have been already published under its latest guidance. It should also include a rapid timetable for the relevant Departments to publish summary AO assessments now.

7.1 The government agrees with the Committee’s recommendation.

Target implementation date: February 2024

7.2 HM Treasury will write to the Committee by end of February 2024 with the requested information on programmes within the Government Major Projects Portfolio (GMPP) and the status of their accounting officer assessments.

Fourth report of Session 2023-24

Department for Work and Pensions

The Department for Work & Pensions Annual Report and Accounts 2022–23

Introduction from the Committee

The Department for Work & Pensions (DWP) is responsible for the delivery of work, welfare, pensions and child maintenance policy. It administers the State Pension and a range of working age, disability and ill health benefits to around 20 million claimants and customers. In 2022–23, DWP spent £109.6 billion on State Pension and £125.2 billion on all other benefit payments.

Benefit payments are susceptible to both deliberate fraud by organised crime groups and opportunistic individuals, and unintended error by claimants and DWP. The C&AG has qualified DWP's accounts every year since 1988–89 due to material levels of fraud and error in benefit expenditure. The C&AG qualified DWP's 2022–23 accounts for fraud and error in all benefits other than State Pension, which has relatively simple conditions of entitlement and a lower level of fraud and error.

Based on a report by the National Audit Office, the Committee took evidence on 18 September 2023 from the Department for Work and Pensions and His Majesty's Revenue and Customs. The Committee published its report on 6 December 2023. This is the government's response to the Committee's report.

Relevant reports

- NAO Report: DWP Annual Report and Accounts 2022-23 (HC 1455)
- NAO report: Report on Accounts
- PAC report: The Department for Work and Pensions Annual Report and Accounts 2022-23 – Session 2023-24 (HC 290)

Government response to the Committee

1. PAC conclusion: Benefit fraud and error has yet to fall significantly since the pandemic and DWP does not expect it will return to pre-pandemic levels until 2027–28.

1a. PAC recommendation: DWP needs to reduce substantially the level of fraud and error in benefit spending and demonstrate that it is operating a cost-effective control environment.

1.1 The government disagrees with the Committee's recommendation.

1.2 The Department for Work and Pensions (the department) is fully committed to reducing fraud and error through operating a cost-effective control environment and continually enhancing the department's controls framework to enable this.

1.3 The department set itself an Annual Managed Expenditure (AME) savings target of £1.3 billion in its 2022-23 Annual Report and Accounts and will provide an update on the performance against this target in the 2023-24 Annual Report and Accounts.

1.4 However, the wider external trends of increasing propensity for fraud in the economy, which impact on the level of fraud and error in the benefit system, are not directly in the department’s control. On this basis the department disagrees with the Committee’s recommendation.

1b. PAC recommendation: As part of its Treasury Minute response to this report, DWP should set out the evidence for its assumption that there will be a general increase in fraudulent behaviour of 5% per year.

1.5 The government agrees with the Committee’s recommendation.

Recommendation implemented

1.6 The department has presented detailed evidence to the Office for Budget Responsibility (OBR), who have incorporated this within the overall forecast for fraud and error prevalence in the welfare system. The evidence comes from a range of sources that suggest a widespread upwards pressure on fraud across the economy, as well as related criminal behaviour such as shoplifting.

1.7 These sources include police recorded crime data for England and Wales, which shows shoplifting has been trending upwards since 2012, excluding a sharp drop during the pandemic, and that reported shoplifting reached record high levels in July 2023.

1.8 The latest Cross-Government Fraud Landscape Annual Report by the Public Sector Fraud Authority identified a 7% annual increase in detected fraud outside tax and welfare for financial year 2020-21, and the Office for National Statistics' 2022 crime survey reported that 41% of all crimes were fraud related. Additionally, social research was considered, particularly the 2022 British Social Attitudes Survey, which reports that attitudes towards benefit fraud have softened since 2016.

1.9 The 5% estimate comes from Home Office data for fraud offences referred to the National Fraud Intelligence Bureau by Cifas, who facilitate fraud data sharing between over 600 large public and private UK organisations. This data showed an average annual increase of 5% from 2015-16 to 2019-20. This period is chosen to represent a business as usual, pre-pandemic period. This data for 2022-23 shows an 11% annual increase.

1.10 As all sources show an ongoing and consistent upwards trend in fraudulent activity over time, the department expects these trends to continue. The department acknowledges that extrapolating the 5% figure is a judgment call – reasonable arguments could be made for a higher or a lower figure, but the department’s analysts concluded that this was the best attempt at a central assumption.

1c. PAC recommendation: In its Annual Report & Accounts, DWP should explain any variance between its 5% assumption and the official fraud and error statistics.

1.11 The government disagrees with the Committee’s recommendation.

1.12 The 5% assumption cannot be compared to the official fraud and error statistics in isolation. Fraud and error outcomes are influenced by a broad range of factors, such as the department’s expanding detection activity. Therefore, it is not possible to identify what proportion of change in the statistics is specifically due to an increase in fraudulent behaviour.

2. PAC conclusion: DWP expects the activities set out in its counter-fraud plan to generate £9.4 billion of additional savings over the next five years.

2. PAC recommendation: DWP should report annually on its savings from detecting and preventing overpayments and its forecast of future overpayment levels, to at least the level of detail set out in Figure 9 of the Comptroller and Auditor General's report, while continuing to refine and improve the underlying methodology.

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 The department is committed to the continued development and refinement of its experimental metric to report on the full Annual Managed Expenditure (AME) savings associated with all departmental activities and controls. The department will report on this in its Annual Report and Accounts 2023-24.

2.3 It is important to understand the difference between forecasts and targets, the department will be held to account only on the latter.

3. PAC conclusion: The success of DWP's plan to reduce fraud and error in Universal Credit is dependent on its ability to review 8 million live claims by 2027–28.

3. PAC recommendation: As part of its Treasury Minute response to this report, DWP should set out how it will report on the efficacy, quality and customer service of Targeted Case Reviews, including separate disclosure where this has been outsourced to contractors. This is to provide public confidence that the review of Universal Credit cases is working, is not overly burdensome, and is not leading to legitimate claims being disrupted.

3.1 The government agrees with the Committee's recommendation.

Recommendation implemented

3.2 The department will report on Targeted Case Review in its Annual Report and Accounts 2023-24.

4. PAC conclusion: DWP and HMRC face a significant challenge in making back payments to people who have been underpaid State Pension due to missing Home Responsibilities Protection.

4a. PAC recommendation: DWP should work with HMRC within the next six months to set out a clear plan and timetable for correcting underpayments of State Pension relating to Home Responsibilities Protection and provide clarity on how any tax issues will be dealt with.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2024

4.2 The department provided details of the scope of the exercise and plans to address outstanding work in its 2022-23 Annual Report and Accounts. The 2022-23 Annual Report and Accounts also sets out that there is a degree of uncertainty with the number of people affected and the total amount of pension arrears. The correction exercise began in Autumn 2023. The department will continue to refine its plans and timetable alongside HM Revenue & Customs (HMRC) as the exercise progresses. The department will provide updated details of its plans in its 2023-24 Annual Report and Accounts.

4.3 Income tax will be calculated on the arrears payments of State Pension for the tax year in which the customer was entitled to receive the State Pension, not in the year in which the arrears were paid. HMRC will only collect tax for the year that arrears are paid and the preceding four years. HMRC will not collect income tax on any arrears payments where the individual is deceased, and payment was made after the date of death. HMRC will not raise historical interest charges on the tax due from Self-Assessment customers.

4b. PAC recommendation: DWP and HMRC should regularly publish updates on their progress correcting this issue. This should include key numbers such as the volume of cases identified as at risk, the number of people asking for a review of their case, and the value of payments made.

4.4 The government agrees with the Committee's recommendation.

Recommendation implemented

4.5 The government will publish key management information on the exercise, established between the department and HMRC, in the department's Annual Report and Accounts.

5. PAC conclusion: DWP is not doing enough to assure itself or Parliament that it can rely on National Insurance records to pay State Pension accurately and that it will not find further historic underpayments.

5a. PAC recommendation: DWP should work with HMRC to provide assurance to the Committee within the next twelve months over the integrity of the National Insurance records and how they interact with DWP's benefit system.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: Winter 2024

5.2 The department and HMRC have agreed to work together on this, building on a strong existing relationship and established Director led Cross-Departmental Oversight for National Insurance Group.

5.3 The department and HMRC will set out the approach to assuring the integrity of the National Insurance record in relation to State Pension, in the first instance. This includes engaging with the joint Internal Audit review being undertaken by the Government Internal Audit Agency (GIAA) and HMRC's Internal Audit team to help us ensure our control framework is effective.

5b. PAC recommendation: DWP should report as part of the Treasury Minute what is done to set up an 'early warning system' to detect issues before they grow into significant underpayments. This could involve performing more frequent and in-depth analysis of underpayments identified by frontline staff.

5.4 The government agrees with the Committee's recommendation.

Recommendation implemented

5.5 The department uses existing quality checks, internal controls, and management information to identify and address issues with the accuracy of its welfare payments.

5.6 The department is further strengthening the system by piloting new approaches in a small number of services, which aims to improve feedback loops, help target higher risk areas using root cause analysis as part of the quality assurance framework and allow corrective action to be taken quickly. Evaluation from the pilots will be undertaken and the department will use the learnings to inform future plans and potential roll-out from 2024-25, iterating as necessary.

6. PAC conclusion: DWP has not yet done enough to understand the impact of machine learning on customers and provide them with confidence that it will not result in unfair treatment.

6. PAC recommendation: DWP should, as part of the assessment in its annual report, consider explicitly the impact of data analytics and machine learning on legitimate claims being delayed or reduced, the number of people affected, and whether this is affecting specific groups of people.

6.1 The government disagrees with the Committee's recommendation.

6.2 The department is committed to reporting annually to Parliament on its assessment of the impact of data analytics on protected groups and vulnerable claimants with the first assessment in the department's 2023-24 Annual Report and Accounts. In future years the department will iterate the annual assessments to include impacts on customer service.

6.3 While the department is committed to providing information as set out, it must not compromise its ability to tackle fraud and error by revealing details about its models that could be exploited. On that basis, the department disagrees with the Committee's recommendation detailing specific metrics for publication.

Fifth report of Session 2023-24

Department for Environment, Food and Rural Affairs

Government's Programme of Waste Reforms

Introduction from the Committee

Government's 2018 Resources and Waste Strategy aims to establish a circular economy, where products are used again or for longer through reuse, repair, and recycling. It contained five strategic ambitions including doubling resource productivity and eliminating avoidable waste by 2050. In 2019, the need to decarbonise the waste sector became more significant due to the UK's commitment to 'net zero' greenhouse gas emissions by 2050.

As part of its work to deliver the strategy, the Department initiated three interrelated projects known as the collection and packaging reforms programme. The programme is intended to bring about major changes to how waste is paid for and collected. It includes:

- The extended producer responsibility for packaging scheme, which will require companies that produce packaging or sell packaged products in the UK to cover the full costs of collecting and sorting household packaging waste for recycling. The Department estimates these companies will pay around £1 billion (2020 present values, 2019 prices) a year. It plans to introduce variable fees, depending on the recyclability of the material used.
- The consistent collections project which will require local authorities, businesses and organisations such as schools and hospitals in England to collect food waste and dry recyclable materials (paper and card, metal, plastic and glass) separately where possible. Local authorities will also need to provide a separate garden waste collection for households. Since we took evidence in September 2023 the government has rebranded the project as 'simpler recycling'.
- The deposit return scheme in England, Wales, and Northern Ireland, which will place a redeemable deposit on all single-use plastic and metal drinks containers up to three litres in volume.

The Infrastructure and Projects Authority (IPA) conducted two interviews in June and September 2022 on the deliverability of the programme. The first review gave the programme a 'red' rating and concluded that successful delivery of the programme to time appeared to be unachievable. The second review noted the Department's progress in implementing recommendations but maintained a 'red' rating, as it did not have confidence the extended producer responsibility scheme (the first of the collection and packaging reform projects) could be delivered by its expected deadline in October 2024.

Based on a report by the National Audit Office, the Committee took evidence on Monday 11 September 2023 from the Department for Environment Food and Rural Affairs (DEFRA). The Committee published its report on 1 December 2023. This is the government's response to the Committee's report.

Relevant reports

- NAO Report: The Government's Resources and Waste Reforms for England:– Session 2022-23 (HC 1513)
- PAC Report: The Government's Programme of Waste Reforms:– Sessions 2023-24 (HC 333)

Government response to the Committee

1. PAC conclusion: There have been significant delays to the collection and packaging reforms, partly because the Department did not set the programme up well from the start.

1a. PAC recommendation: The department should write to the Committee after the Infrastructure and Projects Authority's next review of the Programme (due autumn 2023 when we took evidence), setting out how it will address any outstanding concerns that IPA raises.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: March 2024

1.2 The most recent Infrastructure and Projects Authority (IPA) review, in November 2023, assessed the programme as 'amber' and recognised the significant progress made in the design, delivery and capability of the programme overall. However, the review team were concerned about certain aspects of the programme that could be considered 'red', such as the operational readiness of the Deposit Return Scheme (DRS) and the packaging Extended Producer Responsibility (pEPR) timeline; and critical risks remain that require meticulous management attention to ensure the programme meets its time, cost, and quality objectives. The programme has developed a detailed action plan to co-ordinate progress of the IPA recommendations that are being monitored through senior governance fora and expediated via regular daily calls where necessary. The Department for Environment, Food and Rural Affairs (the department) will write to the Committee at the end of March 2024 to outline the actions taken to address any outstanding concerns raised by the IPA review.

1b. PAC recommendation: The Department should ensure that the lessons it has learnt from these reforms are applied to improve the way it manages other projects and programmes. It should, as part of its Treasury minute response, summarise any common themes arising from Infrastructure and Projects Authority reviews across the Department's portfolio, and how these are being addressed.

1.3 The government agrees with the Committee's recommendation.

Recommendation implemented

1.4 Since March 2020, the IPA has undertaken 27 reviews of the department's programmes that form part of the Government's Major Projects Portfolio (GMPP), which has resulted in 225 recommendations. The most common themes have been programme/project management, stakeholder engagement/communications and governance.

1.5 The programme/project management theme includes recommendations to improve critical path, resource planning, programme controls and integrated programme planning. To address these, the department has established an initiation service to transition policy into project delivery integrating IPA start up tools, greater resource and capability planning and maximising the use of digital tools/analysis to embed standards and ensure consistency.

1.6 Stakeholder engagement/communication theme recommendations focus on improving stakeholder identification, engagement strategies/activities with customers and feedback loops. The department is supporting individual programmes to develop stakeholder analysis and engagement plans, encouraging the development of management strategies and simplifying existing tools for identifying, analysing and proactively managing stakeholders.

1.7 Governance theme recommendations include improving the effectiveness of programme governance and roles and input from stakeholders and subject matter experts. The department has reviewed standard programme board terms of reference/structures and programme board membership to ensure they continue to align to the functional standard, government best practice and to assess board effectiveness and maturity. Portfolio Directorate are looking at opportunities to strengthen governance following the appointment of the Director General for Portfolio Delivery and are considering options to provide improved oversight of the delivery of the Defra Portfolio.

1.8 In addition, the department is creating an easily accessed and searchable repository of useful learning for programmes to access and to help improve how the department manages programmes in the future.

2. PAC conclusion: Businesses and local authorities still do not have the clarity they need from the Department to prepare for the changes that will be required, which risks increasing costs and delaying implementation.

2a. PAC recommendation: The Department should, as part of its Treasury minute response, set a firm date for when it will set out the fees obligated companies (namely, those that produce packaging or sell packaged goods) will pay under the extended producer responsibility for packaging scheme, when it will clarify the impact of these payments for local authority funding, and when it will publish the government response to its consultation on simpler recycling. This consultation response should include a clear timetable for the launch of simpler recycling.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: November 2024

2.2 All small and large obligated producers must pay a fee to the appropriate regulator of the pEPR scheme on registration. Producers must have registered by 1 October 2023 but the regulators have agreed, by means of a Regulatory Position Statement, that they will not enforce this requirement until after 31 May 2024, effectively giving producers an additional eight months to pay their fee. The level of the fee will be set out in the pEPR regulations.

2.3 The department expects producers obligated as 'large producers' under the pEPR regime to be issued with an invoice for their first year's fees as soon after July 2025 as the Scheme Administrator has the processes in place to be able to do so. Final base fees (in £/tonne of packaging material placed on the market) can only be calculated after April 2025 which is the deadline for producers to report the amount of packaging placed on the market in 2024. Given these timeframes, the department expects to be regularly publishing estimates ("illustrative base fees"). These estimates are expected to be based in a first instance on data reported by producers for the year 2023. The process for subsequent years will need to be confirmed by the Scheme Administrator once established.

2.4 The department expects that local authorities will be informed of their estimated payment amount for 2025-26 in November 2024.

2.5 On 21 October 2023, the department published the government response to the Simpler Recycling consultation, formerly titled Consistency in Recycling in England. This laid out the materials in scope of collections and the implementation dates for Simpler Recycling.

2.6 The department also launched a Consultation on additional policies related to Simpler Recycling in England, and separately consulted the relevant parties on exemptions and statutory guidance for Simpler Recycling in England. Both consultations closed on 20 November 2023 and the department is currently analysing the responses.

2b. PAC recommendation: The Department should, as part of its Treasury minute response, explain how it expects to achieve government's 2035 target to recycle 65% of waste from households given simpler recycling will only increase municipal recycling rates to 52–60%.

2.7 The government agrees with the Committee's recommendation.

Recommendation implemented

2.8 A multi-layered approach is essential to increase recycling rates. The CPR programme will get the department close to the target of a 65% recycling rate in England by 2035 and work is underway on to other policy areas to help reach this target, including the consultation on reviewing the Waste Electrical and Electronic Equipment (WEEE) Regulations. Department officials are currently reviewing the batteries regulations ahead of a consultation expected later this year which aims to drive up the volume of batteries that are collected and treated safely when they become waste. This complements the consultation on waste electricals published on 28 December 2023 and is available at Electrical waste: reforming the producer responsibility system in electrical equipment. Making it easier for householders to properly discard these items when they become waste can boost levels of recycling and reduce the risk of fires posed by their improper disposal.

2.9 Modelling suggests that meeting the commitment to achieve a 65% municipal recycling rate by 2035 will require policies beyond CPR. Further work is required to identify potential policies beyond CPR and their potential contributions towards meeting the commitment.

2.10 The department has developed waste and resource related indicators in the Outcome Indicator Framework (OIF) which, alongside the annual progress reports, monitor progress towards delivering the Environmental Improvement Plan (EIP). There are several Outcome Indicator Framework indicators for 'maximise resources, minimise waste', one of which is the J3: Municipal waste recycling rates (defra.gov.uk) indicator. This currently uses an interim indicator of waste from household recycling rates. The department's Resources and Waste statistics team are working to develop a statistical, data-driven definition of municipal waste and a municipal recycling rate metric with which to report progress against the commitment to achieve a 65% municipal recycling rate by 2035. These will feed into new statistical reporting publications and will be able to replace the OIF interim indicator. As part of work to refine the municipal recycling rate metric in development, the team have commissioned several projects looking into the origin of mixed waste codes such as chapter 19 codes, and the estimated tonnages of material rejected at recycling facilities that is then sent on to residual waste treatment. It is hoped that these projects will allow the department to report the rate of municipal waste that is actually recycled rather than the rate of municipal waste that is sent for recycling, as can be derived from currently available waste data, and identify tonnages of mixed waste codes that should be included or excluded from any definition of municipal waste.

2.11 The recently published Maximising Resources, Minimising Waste programme (MRMW) sets out the department's priorities for action to manage resources and waste in accordance with the waste hierarchy and supports the department's drive to reaching this target and focusses on areas with biggest waste arisings.

3. PAC conclusion: The Department is basing the design of the deposit return scheme on small trials and international experience, but a lack of like-for-like comparators may make it difficult to get the UK's scheme right.

3. PAC recommendation: Alongside its Treasury Minute response, the Department should write to the committee with an update on how it is drawing on international experience to inform the design and roll-out of the deposit return scheme. This should include commentary on what lessons there are from countries that have introduced deposit return schemes on top of kerbside collections.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2024

3.2 The department has worked closely with other international schemes to learn lessons to support the design and roll-out of the deposit return scheme (DRS) in England, Wales and Northern Ireland. This includes learning lessons from the proposed DRS in Scotland, the forthcoming scheme in the Republic of Ireland, as well as established schemes in Sweden, Germany, Latvia, and others from across the world.

3.3 As part of gathering information, the department recently carried out visits to Sweden, Republic of Ireland and Slovakia to see their DRS in person and to meet with industry representatives, civil servants and scheme administrators to discuss the scheme set up. Information was also gathered from teach-ins with the German, Latvian, and ROI scheme administrators. And finally, the department carried out desk research on specific topics, reaching out to relevant international schemes, stakeholders and other organisations such as Reloop where further information is needed.

3.4 The department has particularly engaged with other comparable European schemes, many of which have similar key features to the UK's scheme such as:

- A collection target that covers a broad scope of packaging and container types.
- A meaningful deposit value – usually a round figure that is high enough to incentivise consumers.
- An easy-to-follow redemption system that is reliable, accessible, and fair to all in society.
- A system where producers help to manage, finance, and invest in the system.

3.5 International schemes have informed policy making on the set up of the scheme administrator, provision of return points and scope of the regulations.

3.6 The department will write to the Committee in Summer 2024 following the publication of the joint policy statement on DRS and notification of the draft secondary legislation, which sets out final policy positions of the scheme. This will ensure the letter can include specific examples of lessons learnt from international schemes once the developing policy positions are confirmed and made public.

4. PAC conclusion: While the Department recognises the importance of waste prevention and reuse, it is not clear what its plans are for meeting its target of doubling resource efficiency by 2050.

4. PAC recommendation: Within the next 12 months the Department should write to the Committee to explain:

- ***What measures it expects to introduce next (within the next five years) to encourage waste prevention and reuse; and what contribution it expects these measures to make to meeting its target of doubling resource efficiency by 2050.***
- ***Which measures it expects could make the biggest contribution overall to its target of doubling resource efficiency by 2050, and how long it expects it will need to prepare for and implement these changes.***

4.1 The government agrees with the Committee's recommendation.

Target Implementation date: Early 2025

4.2 The department's agreement and response to the recommendation 4 is on the basis that the above recommendation is amended to '...*meeting its ambition to double resource productivity*' as agreed with the Committee via email on 25 January.

4.3 The Resources and Waste Strategy states 'we want to increase the material efficiency of production and manufacturing processes, as part of our strategic ambition to double resource productivity by 2050'. The department therefore intends to increase the material efficiency of production and manufacturing processes. Improving resource efficiency increases productivity, cuts carbon emissions and enhances resource security.

4.4 On resource efficiency measures, it is challenging to model potential future policy pathways in the long-term as future policies are highly uncertain and will be the decisions of future governments. The exact make-up of any future policy pathway will be a combination of measures to get waste up the waste hierarchy, including waste reduction, reuse and repair activities. The Environmental Improvement Plan (EIP) laid out the department's plans for maximising resources and minimising waste, and in July 2023, the department published the Maximising Resources, Minimising Waste (MRMW) Programme in England which sets out the department's priorities for action to manage resources and waste, in accordance with the waste hierarchy, that will help deliver increased resource efficiency. In late 2024, the department will consult on several MRMW textile waste policies that aim to increase the amount of unwanted textiles that is reused or recycled and reduce the amount that is disposed of in the residual waste stream.

4.5 The Environment Act 2021 target to ensure that residual waste (excluding major mineral wastes) does not exceed 287 kg per person by the end of 2042 can be achieved through waste prevention, resource efficiency, and recycling of unavoidable waste. The department recognises the desire to see an additional target that reduces material resource use and improves productivity and continue to investigate this.

4.6 Options for reducing use of material resources have been explored through research on policies to improve resource efficiency in collaboration with the Department for Energy Security and Net Zero (DESNZ). This research focuses on 11 sectors. Findings from four sectors have been published already (Unlocking Resource Efficiency) and further research is planned regarding how legislation related to warranties and guarantees can be used to encourage increased repair and extend the use of products.

4.7 The department's research to date has not identified a clear policy pathway for significantly reducing the effects of resource extraction and use on the natural environment, which was assessed through a resource productivity metric. Similarly, metrics for monitoring how new measures achieve resource efficiency savings have not been agreed.

4.8 The most impactful policies will be considered following completion of the research projects listed above and agreement on metrics for monitoring resource efficiency. The department will write to the Committee in early 2025 to explain the above recommendation.

5. PAC conclusion: The Department has not yet set out the waste infrastructure capacity it expects will be needed in England to meet its ambitions, which makes it more difficult for the private sector to make informed investment decisions.

5a. PAC recommendation: We expect the Department to have published its planned waste infrastructure plan before its Treasury minute response, but if this does not happen it should explain why not, and update the Committee on when it expects this will be published.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: April 2024

5.2 The department is in the process of finalising analysis to enable publication of the first part of the 'Waste Infrastructure Roadmap'. This will set out anticipated waste arisings to 2035, reflecting Defra's Collection and Packaging Reforms (Simpler Recycling, extended producer responsibility for packaging (pEPR) and a deposit return scheme (DRS) for drinks containers), mapping this modelling against known waste management infrastructure for various waste streams, including organic wastes, and dry recyclables (paper/card, glass, metals, and plastics). The department is also preparing detailed analysis regarding residual waste management infrastructure.

5.3 Once published, the intention of the first part of the 'Waste Infrastructure Roadmap' is to provide a signal to investors as to where there is considered to be a likely over or under-provision of waste management capacity to target investment. However, the first part of the 'Waste Infrastructure Roadmap' will not detail where or how investment should be made and is meant to be a tool to support investors and local authorities in decision making. The department will be exploring what more could be done beyond signalling in due course.

5.4 Those looking to invest in waste management infrastructure are encouraged to engage with the UK Infrastructure Bank.

5.5 The department intends to publish this analysis in April 2024.

5b. PAC recommendation: The Department should consult with key stakeholders after publication about whether this gives them sufficient clarity to make informed investment decisions and write to the Committee to explain how it will address any outstanding gaps this highlights.

5.6 The government agrees with the Committee's recommendation.

Target implementation date: September 2024

5.7 The department will engage with key stakeholders after publication and write to the Committee by September 2024.

6. PAC conclusion: The government does not yet have good enough data to manage the waste system effectively, which it needs to understand how waste is recycled and to ensure waste exports are legal.

6. PAC recommendation: The Department should set out it in its Treasury Minute what it sees as the priority data gaps and set ambitious timescales for filling the data gaps.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: April 2025

6.2 In 2024, the waste tracking service will be publicly available to users on a voluntary basis – this is expected to happen in phases with specific groups of users being invited to use the service over time. Green list waste exports are the first phase to have successfully transitioned to private beta at the end of 2023.

6.3 From April 2025, legislation will come into force across the UK, subject to approval across all four legislatures. The requirements of the regulations will be mandatory from this point and service charges will also be payable. This will provide the foundations for capturing information on waste generated and treated, including waste recycling. The Government response of the consultation outcome is published on Gov.UK.

6.4 The department is currently developing a *Data Strategy*, identifying and filling gaps around the required regular ongoing data to run policy and monitor progress within the Resources & Waste Strategy and Environmental Improvement Programme. This includes progress against targets in residual waste and municipal recycling rates and, if necessary, introducing legislation for new data reporting requirements.

6.5 The department's key performance metrics are publicly reported and updated at least annually where possible. These form the core part of the 'Monitoring Progress' reports and track strategic priorities in the Resources & Waste Strategy.

6.6 The department is increasing the number of regular published statistics and from this year it will be up to at least 11 publications which is an ambitious target. Later in 2024, the department intends to address key data gaps by publishing new statistics on:

- *Residual waste by material type*, to assess progress against the residual waste target, planned for May 2024.
- *Municipal recycling,* using a new definition of Municipal Waste, probably July 2024.
- *Drivers of consumption-based carbon emissions,* probably June 2024.

6.7 The department is also collecting new survey data as part of the Resources & Waste Strategy Evaluation Programme, which will give us valuable new insights as policies are implemented.

Sixth report of Session 2023-24

Cabinet Office

Competition in public procurement

Introduction from the Committee

Government spent £259 billion on the procurement of goods and services in 2021–22. Of the total contract value of more than £100 billion awarded by major departments during 2021–22, around two-thirds were subject to competition in some form. Given this is a significant area of government spending, there is a genuine interest in ensuring government effectively uses competition to achieve value for money, public benefit, transparency, and probity. Illustrative scenarios included in the impact assessment for the Procurement Act suggest government could achieve savings of £4 billion to £7.7 billion per year through increased competition.

Departments and other public bodies are responsible for carrying out their own procurement exercises. The Cabinet Office, its central commercial teams within the Government Commercial Function, and its executive agency the Crown Commercial Service offer support publishing guidance, monitoring suppliers, offering advice, and running procurement frameworks for common goods and services.

The Crown Commercial Service is also responsible for providing some commercial services to the public sector, which includes running procurement frameworks. These frameworks are designed for procuring common goods and services and are intended to help departments access economies of scale and reduce administrative cost. Government departments and other public bodies are required to use open competition in their procurements, under the Public Contracts Regulations 2015 and related statutory instruments.

At the time we took evidence, Parliament was considering the Procurement Bill, which has now received Royal Assent to become the Procurement Act 2023 and will replace the current legislation. With the introduction of the Procurement Act, this is an opportunity to look at lessons learned from government's transformation programme in procurement from the last 12 years.

Based on a report by the National Audit Office, the Committee took evidence on Monday 23 October 2023 from the Cabinet Office and the Crown Commercial Service. The Committee published its report on 13 December 2023. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Lessons learned: competition in public procurement – Session 2022-23 (HC 1664)
- PAC report: Competition in public procurement – Session 2023-24 (HC 385)

Government response to the Committee

1. PAC conclusion: Government is unable to evaluate competitive trends in markets or demonstrate that it is achieving value for money in public procurement, due to significant issues with the quality and completeness of data on contracts.

1. PAC recommendation: Within three months of the coming into force of the Procurement Act, the Cabinet Office should define how it will use data to evaluate competitive trends and set out clear directions and guidance for contracting authorities on:

- ***the collection and publication of data relating to all contracts, including any modifications to the contracts.***
- ***the requirements for timeliness of reporting information on the new contract database.***
- ***the collection of data to assess the outcomes achieved.***
- ***collecting data on supplier performance to inform future procurements.***

In order to enhance transparency, within the same timescale it should also provide a comprehensive report setting out a suite of measures designed to improve the publication of contract details, including in particular how the two contact databases (Contract Finder and Find a Tender) can be populated with complete and timely information.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2025

1.2 Much of the requested data will now be required as standard as part of the Procurement Act. Contracting authorities will have clear legal requirements to upload information on procurements to the central digital platform within certain timescales, this includes publishing contract award notices for above threshold contracts (those generally above £213,000), contract details for contracts over £5 million, Key Performance Indicators for contracts over £5 million. This list is not exhaustive and will be achieved via the submission of notices within the system - simply put, if a contract authority does not upload a particular notice, it will be in breach of statutory requirements in a way that is not the case now. The requirements for notices will be set out via secondary legislation, expected to be laid in Spring 2024. The Cabinet Office will publish a range of guidance notes and provide learning and development materials setting out these requirements.

2. PAC conclusion: Public authorities have often not been effective in engaging with markets and potential suppliers, and government has not provided clear guidance on how to meet requirements to treat suppliers equally while best supporting value for money.

2. PAC recommendation: The Government Commercial Function and Cabinet Office should set out, as part of its Treasury Minute response, further details explaining the guidance and mechanisms that it has put in place to promote best practice for public authorities to appropriately conduct early engagement, without distorting the market, such as:

- ***carrying out discussion of problems facing the contracting authority, to help identify solutions, or give the market an opportunity to develop solutions to solve the problems.***
- ***asking important questions to potential suppliers to allow contracting authorities to refine their requirements and create clearer specifications.***
- ***gaining a better understanding of what the market can supply, any contractual constraints and whether the budget, resourcing and timescales are achievable.***
- ***raising awareness of the potential procurement, that could encourage competition and increase the number of potential bidders.***

2.1 The government agrees with the Committee's recommendation

Recommendation implemented

2.2 The Sourcing Playbook, published in 2019 and revised annually, sets out best practice on service delivery, insourcing, outsourcing, mixed economy sourcing and contracting. This includes setting out a clear expectation that contracting authorities should undertake an assessment of the health and capability of the market when deciding how to deliver a service. This enables a contracting authority to understand our markets, recognise our influence on them and design commercial strategies and contracts that promote market health, and in turn maximises value for money and service quality. Effectiveness of early market engagement is assessed as part of the commercial continuous improvement assessment framework with a masterclass programme to share best practice. These principles are supplemented by a supporting guidance note on 'Market Management' that outlines more detail and practical guidance on the factors to consider when making these assessments. In addition, the Cabinet Office also provides resource and guidance to contracting authorities when they undertake market health assessments.

2.3 The Crown Commercial Service undertakes extensive analysis of supply markets and engages with suppliers to inform its strategies for each of the categories of goods and services in which it establishes commercial agreements. As part of its commercial agreement development process, it then undertakes further supplier engagement to inform the design of specific commercial agreements.

3. PAC conclusion: Framework agreements have become the most prevalent route for public authorities to buy common goods and services, but the Government Commercial Function has not provided sufficient guidance to address the potential risks to competitive benefits.

3. PAC recommendation: The Cabinet Office should issue guidance, for example a 'Framework Playbook', within six months to provide central guidance for government buyers on key policies about:

- ***The project delivery model assessment to be carried out by government buyers to inform recommendations on whether a department should or should not use a framework.***
- ***The effective management processes for frameworks.***
- ***The collection of appropriate data to assess whether the outcomes of the framework have been achieved.***

3.1 The government agrees with the Committee's recommendation

Target Implementation date: Autumn 2024

3.2 Framework agreements are a means which ensure that effective procurements can be undertaken quickly and efficiently from capable suppliers, by multiple public sector organisations, in categories where there are common requirements and where it is important to avoid unnecessary duplication and poor practices.

3.3 The Cabinet Office has already done much to ensure value is maximised when using frameworks. For example, in 2021 David Mosey at King's College was asked by the Cabinet Office to produce Constructing the Gold Standard: *An Independent Review of Public Sector Construction Frameworks*. This outlines how to apply the Construction Playbook principles to construction frameworks and is an integrated and collaborative approach to framework procurement, contracting and management. In November 2023, King's College and Constructing Excellence launched a verification scheme for assessing consistency with 'Constructing the Gold Standard'. This is an objective system for recognising and supporting those framework providers and clients who adopt Gold Standard frameworks, framework contracts and action plans.

3.4 The Cabinet Office is working together with the Crown Commercial Service and other stakeholders to review current framework guidance and the standards that framework providers should meet, to ensure the framework agreements they put in place operate effectively in line with government guidance, policy and regulation.

3.5 Following the review, the Cabinet Office will determine whether a separate framework playbook is required or whether it will be more effective to collate, signpost and augment existing guidance, taking into account the need for different approaches in different categories of goods or services; as well as the opportunities presented by the new public procurement regulations to establish new types of framework agreement.

3.6 Together with the Crown Commercial Service, the Cabinet Office will then ensure that there is clear and authoritative central guidance on the effective establishment and management of frameworks, including the collection of data on the framework's performance.

4. PAC conclusion: Government has not demonstrated that it has consistently used its purchasing power to support local and national policies and objectives, or to drive healthy and competitive markets, including buying from SMEs.

4. PAC recommendation: The Cabinet Office should set out, as part of its Treasury Minute response, details explaining how it will revise its Sourcing Playbook and support government buyers towards achieving a consistent approach to balance achieving economic, social, and environmental wellbeing with unnecessarily imposing artificial constraints that create barriers to entry for SMEs.

4.1 The government agrees with the Committee's recommendation

Recommendation implemented

4.2 The Sourcing Playbook outlines how government commercial policy considerations should be balanced by contracting authorities and will be revised in line with the Procurement Act 2023 during 2024.

4.3 Government commercial policy is set out in Procurement Policy Notes (PPNs). Ensuring a level playing field for small and medium-sized enterprises (SMEs) seeking to contract with the government is a key component to the design, delivery and implementation of commercial policy. For example, during the formulation of the government's social value policy, as well as a public consultation, there was consultation with the Federation of Small Businesses, the Cabinet Office Small Business Advisory Panel and the Crown Representatives for Small Business and Voluntary, Community and Social Enterprises (VCSEs), on the content of the model, a proposed minimum 10% weighting for evaluating social value in bids, and whether the approach posed any particular accessibility issues for SMEs. Central government's social value policy states that bids should be scored on a qualitative contract by contract basis, as comparing volumes or use of financial proxies could disadvantage SMEs. This process of ensuring SMEs are not overburdened has been replicated on other policies, for example reducing carbon in government supply chains which has a threshold at which the measure applies to minimise impact on SME and VCSE suppliers, as does the prompt payment policy. The commitment to reducing barriers to SMEs in public procurement is demonstrated by near doubling of spend with SMEs from 2016-17 to 2021-22 (latest figures) from £11.1 billion to £21 billion[1].

4.4 As part of the Procurement Act 2023, the government has powers to publish a National Procurement Policy Statement (NPPS), to which all contracting authorities must have regard. This will provide the government of the day an opportunity to set out its strategic priorities to which it expects procurement to contribute and may include subjects such as driving

[1] https://www.gov.uk/government/collections/central-government-spend-with-smes

innovation, creating jobs and tackling climate change. It is anticipated that the first statutory NPPS will be in place later in 2024.

4.5 A successful commercial agreement strategy takes into consideration a number of factors to balance the risk appetite of customers (the public sector) against the best value offering from a supplier; with suppliers fairly evaluated against each other, ensuring transparency and ultimately competitive tension; it is tailored to market opportunities and customer needs, which varies by commercial agreement; and it also balances commercial pricing with quality of product or service and considers policy implication, for example, SMEs, social value and net zero. Where the balance points are is determined by each contracting authority or Minister.

4.6 The Crown Commercial Service implements government commercial policy by ensuring that commercial agreements, for which it is the Framework Authority, comply with PPNs and government commercial policy, as well as being compliant with the Procurement Regulations.

5. PAC conclusion: We are concerned that the government may not have sufficiently considered the time, money, and resources required to provide the commercial capabilities to successfully implement the Procurement Act 2023.

5. PAC Recommendation: The Government Commercial Function and Cabinet Office should set out, as part of its Treasury Minute response, further details explaining arrangements for:

- ***How they will manage the process transitioning from the Public Contracts Regulations 2015 to the Procurement Act, including timelines, cost implications and resources required.***
- ***The learning and development plan to ensure government buyers have and continue to develop the commercial capabilities required to successfully implement the new legislative framework and ensure effective competition in public procurement.***

5.1 The government agrees with the Committee's recommendation

Recommendation implemented

5.2 It is currently anticipated that the new regime in the Procurement Act 2023 will go-live in October 2024 following an implementation period of 6 months post the laying of secondary legislation. The Cabinet Office has set out its plan for transition between the regimes and is already rolling out a series of learning interventions to train contracting authority buyers on what the new legislative framework is and how to use it. More information on transforming public procurement is available on Gov.UK.

5.3 The learning and development is intended to be free at the point of access and has been centrally funded by the government to end FY 23/24.There are four interventions planned:

a) a series of recorded 'knowledge drops' watchable videos approximately 45 minutes in length, providing an overview of all of the changes in legislation are aimed at non-commercial leaders, professions and others (incl. suppliers) needing a general level of awareness of the new legislation. They launched in December 2023 targeted at an expected audience of up to 60,000 individuals. As of 5 January 2024, over 8,000 knowledge drop views had been recorded

b) a self-guided e-learning programme comprising 10 one-hour modules with a separate certification module is the core learning product available to all procurement and commercial staff, estimated to be 20,000 individuals at skilled and advanced buyer level. The course provides a comprehensive grounding on the new legislation and will be launched in March 2024

c) an instructor-led three day course of interactive ‘deep dive’ webinars allows learners to engage with subject matter experts and gain deeper insight across the full spectrum of the legislative change and supports “hearts and minds” change. The course is aimed at advanced buyers, expected to be 7,500 to 9,000 individuals, and is planned to be launched in May 2024, running for 58 weeks to allow up to 9,000 individuals to attend.

d) communities of practice which provide a system of collective critical inquiry and reflection into the legislative changes. The communities will support individuals helping them to embed what they have learned. Aimed at a mixture of skilled and advanced buyers, circa 11,000, the product is planned to be launched in May 2024 and will run for 18 months. We will enlist the support of the Civil Service Board underlined at Civil Service Learning sessions to ensure full participation by non-commercial colleagues.

5.4 In addition to the comprehensive Learning and Development offer, workstreams under the programme are developing the central digital platform which will be essential to issuing new notices under the Act and creating Review Unit which will be established to monitor compliance with the act and investigate suppliers to the public sector.

Treasury Minutes Archive[2]

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

Session 2023-24

Committee Recommendations: 52
Recommendations agreed: 46 (88%)
Recommendations disagreed: 6

Publication Date	PAC Reports	Ref Number
February 2024	Government response to PAC reports 1-6 [80 Session 22-23]	CP 1029

Session 2022-23

Committee Recommendations: 551
Recommendations agreed: 489 (89%)
Recommendations disagreed: 62

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
July 2023	Government response to PAC reports 48-54	CP 902
August 2023	Government response to PAC reports 55-60	CP 921
September 2023	Government response to PAC reports 62-67	CP 941
November 2023	Government response to PAC reports 68-71	CP 968
January 2024	Government response to PAC reports 72-79	CP 1000
February 2024	Government response to PAC reports 80 [1-6 Session 23-24]	CP 1029

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

[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 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
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

Publication Date	PAC Reports	Ref Number
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
December 2023	Session 2017-19: updates on 9 PAC reports Session 2019-21: updates on 2 PAC reports Session 2021-22: updates on 18 PAC reports Session 2022-23: updates on 48 PAC reports	CP 987
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

978-1-5286-4708-3
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