HM Treasury

Treasury Minutes

Government Response to the Committee of Public Accounts on the Twelfth to Eighteenth reports from Session 2023-24

CP 1070 April 2024

Treasury Minutes

Government Response to the Committee of Public Accounts on the Twelfth to Eighteenth reports from Session 2023-24

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

April 2024

CP 1070

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 978-1-5286-4844-8

E03118911 4/24

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 2023-24

Twelfth Report of Session 2023-24

HM Treasury, Cabinet Office

Cross-government working

Introduction from the Committee

Central government is organised into departments that plan and deliver their own objectives. In some cases, these objectives can be met by individual departments acting alone. But often, important government priorities, such as net zero, adult social care, rough sleeping and vulnerable families cut across departments, and require them to work together, through what is known as cross-government working. Successful cross government working can allow government to deliver outcomes more effectively and deliver better value for money. But it requires concerted effort. There are many different types of cross-government working, from sharing best practice between departments to delivering complex programmes that cut across different departmental objectives.

Based on a report by the National Audit Office, the Committee took evidence on Monday 11 December from HM Treasury, the Cabinet Office, the Department for Levelling Up, Housing and Communities, Department for Energy Security and Net Zero. The Committee published its report on 13 February 2024. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Lessons learned: Cross-government working – Session 2022-23 (HC 1659)
- PAC report: Cross-government working – Session 2023-24 (HC 75)

Government response to the Committee

1. PAC conclusion: Understanding what approach works best and in what circumstances is fundamentally important to optimise cross-government working.

1a. PAC recommendation: HM Treasury should analyse how different models of cross- government working are being used, so it can provide more support to departments on which models work best for different projects.

The government agrees with the Committee's recommendation.

Target Implementation date: March 2025

1.2 HM Treasury is strongly supportive of cross-government working and has taken steps in recent years to facilitate joined-up policy development and delivery.

1.3 In May 2023, the government published the six joint delivery models for cross-government working in Managing Public Money guidance. This guidance supports departments to identify what level of collaboration is right for their project and to understand how the responsibilities change with levels of cross-government working.

1.4 HM Treasury will continue to monitor and analyse how different models of cross-government working are being used, including lessons learned from the Shared Outcomes Fund, assessments of cross-cutting priority outcomes in departments' Outcome Delivery Plans, and learnings from projects where HM Treasury has provided tailored support in specific cross-cutting areas. The Evaluation Task Force will provide consultation and will share relevant findings on cross-government working that can be used in the analysis. These findings will continue to be used to shape HM Treasury's advice on using models of cross-government working.

1.5 This recommendation is on-going but will be updated on progress by March 2025.

1b. PAC recommendation: HM Treasury should use this work to develop training for departments on how to approach cross-government working.

1.6 The government agrees with the Committee's recommendation.

Recommendation implemented

1.7 The government already provides a range of support to departments to improve cross-government working.

1.8 The government has provided hands-on support to teams who work with other departments through designing a 'Joint Working Support Project'. This methodology supports projects examine common barriers to effective joint working and help departments identify what model of cross-government working might work best for them.

1.9 The government has published a hub on the Policy Profession website to offer tips, links and guidance to colleagues working across departmental boundaries. The hub offers support on four key pillars of joint working: governance, data, finance and culture.

1.10 At Spending Review 2021, HM Treasury improved the process for joint spending bids. This included providing training, guidance, and advice to departmental finance and policy teams to set out the requirements for a joint bid. Through these processes, HM Treasury has supported departments on how to approach cross-government working. HM Treasury will continue to monitor and, as appropriate, offer support for departments going forward.

1.11 Government Campus offers a package of learning to all civil servants that provides toolkits and case studies that support better collaborative working across government. Where there are new cross-government needs or the existing products require improvement, the Government Skills and Curriculum Unit works with HM Treasury and the Government Finance Function to improve the offer. The Leadership College for Government also provides a suite of programmes for senior leaders designed to improve collaboration and cross-government working.

2. PAC conclusion: Many cross-government projects that come before this Committee are hindered by missing or inadequate data.

2a. PAC recommendation: HM Treasury and the Cabinet Office should work with the Evaluation Taskforce and the Analysis function to identify the key data needed to deliver, monitor and evaluate cross-government projects.

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 The Evaluation Task Force will continue supporting departmental analysts with identifying project-specific evaluation data, particularly for projects within the Task Force's priority areas, which are listed on its website. The Magenta Book sets the standard for evaluation and has a range of support available for the whole of government. The Task Force does not routinely identify data for every cross-government project, which is not practicable within existing resources given the countless examples of cross-government work taking place at any given time. Departments are ultimately responsible for evaluating their own programmes, including those that are delivered jointly with other departments, and are best placed to understand the data requirements to do this, working with relevant departments.

2.3 The government acknowledges that difficulties sharing data is a long-established challenge for joint working, and much of the challenge is in implementation, governance, and delivery, particularly in departments. The Central Digital and Data Office is leading cross-government work to improve data accessibility, availability and reuse, as set out in the National Data Strategy and Roadmap for Digital and Data. Departments remain responsible for their own use of data, in line with overarching policies. The Aqua Book sets out guidance for departments on producing quality analysis for government, including data requirements.

2.4 The government considers that through relevant bodies it has implemented concrete steps to ensure the appropriate data is identified for delivering, monitoring and evaluating cross-government projects. The government will keep this under review, ensuring the right processes and information are available.

2b. PAC recommendation: HM Treasury and the Cabinet Office should work with the Evaluation Taskforce and the Analysis function to help departments to collect the data and have the analytical capability to interpret it.

2.5 The government agrees with the Committee's recommendation.

Recommendation implemented

2.6 The Evaluation Task Force, as a joint HM Treasury/Cabinet Office team, will continue to support analytical teams in departments both in upskilling their own staff and colleagues, and improving evaluation practice across government. As part of this, the Task Force already runs a free Evaluation Academy to teach government officials how to train their own colleagues in vital evaluation skills. This has already upskilled over 100 trainers who in turn have passed their skills on to over 1,000 colleagues.

2.7 The Task Force will continue to provide details to departments on how to identify, collect and analyse data required for conducting a suitable and useful evaluation. One key enabler of this will be the Office for National Statistics (ONS) Integrated Data Service (IDS) which provides access to deidentified data, analytical and visualisation tools, in a secure multi-cloud infrastructure, for accredited researchers and analysts. The IDS offers departments the ability to share data within a secure cloud-native environment and makes these data available for cross-departmental analysis where there are relevant permissions. The Analysis Function will continue to support departments around analytical expertise required in high profile projects and policy areas. Directors of Analysis in each department are ultimately responsible for the analytical capability in each department.

3. PAC conclusion: Effective cross-government working is fundamental to delivering government's priorities but there is a lot of work to do to make it more than just a 'nice to have'.

3a. PAC recommendation: HM Treasury and the Cabinet Office should share lessons learned from the Shared Outcomes Fund.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: March 2025

3.2 The Shared Outcomes Fund is managed by HM Treasury. HM Treasury has already assessed interim lessons learned from the project, which informed the joint working review. As the funding covers the period until the end of the financial year 2024-2025, HM Treasury will write to the Committee towards the end of the last funding period with updated findings.

3b. PAC recommendation: HM Treasury and the Cabinet Office should produce guidance for Departments setting expectations on cross-government working ahead of the next Spending Review.

3.3 The government agrees with this recommendation.

Target implementation date: August 2024, or earlier, if circumstances dictate.

3.4 Spending Review (SR) guidance is the responsibility of HM Treasury. HM Treasury will produce guidance setting expectations that departments should work together at the Spending Review on cross-cutting areas.

3.5 At Spending Review 2021, the government improved the process for joint bid applications, making it more accessible for departments engaging in joint working to bid for funding.

3.6 At the launch of SR21, the then Chief Secretary to the Treasury (CST) wrote to Secretaries of State in other government departments to make clear that HM Treasury expected departments to work together at the Spending Review on cross-cutting policy areas.

3.7 In two key cross-cutting areas, the Criminal Justice System and the Integrated Review, the then Director General of Public Spending wrote to departments involved to ask them to work together to align and prioritise their bids.

3.8 For other key cross-cutting areas, there were established cross-government processes in place, covering areas such as Levelling Up and Net Zero. These processes ensured that departments worked together on SR bids. HM Treasury also provided training and guidance to finance and policy teams across Whitehall to support joint bids.

3.9 HM Treasury will determine in detail its approach to supporting cross-departmental working at the next SR. The approach will be informed by lessons learned from the previous SR and the Shared Outcomes fund, as well as feedback on the joint bid process from departments. HM Treasury is committed to further removing the barriers to cross-departmental collaboration and increasing the number and standard of cross-cutting business cases through providing guidance to teams and support to priority areas.

4. PAC conclusion: HM Treasury has taken initial steps to evaluate what works but now needs to fully embed this to improve cross-government working.

4. PAC recommendation: HM Treasury should use its influence to improve cross-government working, for example by only approving business cases that clearly demonstrate a link to the relevant cross-cutting aim they support, appropriate plans for evaluation, and detail on what cross-government outcomes and outputs should be delivered.

4.1 The government agrees with the committee's recommendation.

Recommendation implemented

4.2 HM Treasury agrees that it should use its influence to improve cross-government working. It has taken a number of steps to do this.

4.3 HM Treasury has worked with other government departments to agree the medium-term policy outcomes that will be achieved through public spending. This includes shared or cross-cutting goals in areas where the best results are achieved by close working between two or more departments. It is important that departments consider how their spending proposals support these strategic policy goals. In 2022, HM Treasury updated the Consolidated Budgeting Guidance with requirements on departments to explain and evidence the impact of policy proposals on these medium-term policy goals.

4.3 HM Treasury spending teams are required to follow the Green Book when reviewing a business case or a cross-government business case. This involves ensuring that proposals explain the strategic fit of a proposal with wider public policy and other proposals to which it is directly related. The Green Book also makes clear that business cases should include plans and the budget for monitoring and evaluation of the associated project or programme, so government can better understand whether interventions are achieving the desired impact. If a business case that purports to support a cross-cutting aim does not, upon scrutiny, evidence strong links to that aim, HM Treasury should not ordinarily provide spending approval.

4.4 HM Treasury and IPA have provided tools and support to departments to meet these requirements. IPA has launched a Project & Outcome Profile tool that supports departments to consider the contribution of a specific project or programme to wider policy outcomes. HM Treasury has also worked closely with departments to develop a 'theory of change' for each of their priority outcomes through the Outcome Delivery Plan (ODP) process. HM Treasury is in the process of updating guidance on the Treasury Approvals Process to set out the expectations around cross-government working for projects that are either delivered by multiple governmental organisations or have material impacts on multiple governmental organisations. This guidance is due to be published in April 2024.

5. PAC conclusion: Government does not consistently report on cross-cutting outcomes.

5a. PAC recommendation: Cabinet Office should publish departments' ODPs to improve transparency, along with plans to deliver them.

5.1 Ministers set out their position in the joint letter, dated 6 July 2023, to the Chair of the Public Administration and Constitutional Affairs Committee, in that departments would only be producing internal ODPs for 2023-24. HM Treasury and Cabinet Office will write to the committee with an update by end of May.

5b. PAC recommendation: The Cabinet Office should also more clearly publish cross-cutting outcomes and progress made against them.

5.2 The government agrees with this recommendation.

Recommendation implemented

5.4 The government already published details of the cross-cutting priority outcomes. At Spending Review 2021, the government published priority outcomes on the relevant lead department pages in Chapter 4 of The Autumn Budget and Spending Review 2021, as well as identifying cross-cutting outcomes and the contributing departments. The full list was also published in a supplementary document, including performance metrics. As set out above, departments are expected to publish performance against their ODPs, including the cross-cutting priority outcomes they lead, in their annual reports and accounts.

Thirteenth Report of Session 2023-24

Department for Science, Innovation and Technology and Ofcom

Preparedness for online safety regulation

Introduction from the Committee

People are increasingly living their lives online, with UK adults spending, on average, just under four hours online a day. There are challenges to this online activity. Of internet users in the UK, 68% of child users (aged 13–17), and 62% of adult users (aged 18+), indicated in 2022 that they had experienced at least one potential online harm in the last four weeks. Harmful content can vary in nature, from child sexual abuse material and terrorist content to online fraud and the encouragement of self-harm.

The government has set itself an objective of making the UK the safest place in the world to go online. The Department for Science, Innovation and Technology (the Department) was responsible for delivering the Online Safety Bill and in October 2023 the Online Safety Act (the Act) became law. The Act introduces new duties on search engines, firms which host user-generated content, and providers of pornographic content, to minimise the extent of illegal content and content that is harmful to children experienced by their users. Providers failing to meet these duties will be accountable to Ofcom, the UK's existing communications regulator, in its new role as the UK's online safety regulator.

The Act requires Ofcom to secure the adequate protection of citizens from harm arising from content on regulated services, through the appropriate use by service providers of systems and processes designed to reduce the risk of such harm. Ofcom has been preparing for its new regulatory role since 2020 when the government confirmed its decision to appoint Ofcom as the regulator for online safety.

Based on a report by the National Audit Office, the Committee took evidence on Wednesday 6 December 2023 from the Department for Science, Innovation and Technology and Ofcom. The Committee published its report on 21 February 2024. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Preparedness for online safety regulation – Session 2022-23 (HC 1660)
- PAC report: Preparedness for online safety regulation – Session 2023-24 (HC 73)

Government response to the Committee

1. PAC conclusion: It will take a long time for Ofcom to implement the regulatory regime in full and it is therefore crucial that it meets its interim deadlines on the priority areas of illegal harms and protecting children.

1. PAC recommendation: Ofcom must meet its deadline to introduce codes of practice in the two priority areas of illegal harms and protecting children within 18 months of the Online Safety Bill becoming law.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: April 2025

1.2 The Online Safety Act 2023 (the Act) requires Ofcom to submit its Codes of Practice on illegal harms and protection of children to the Secretary of State within 18 months of the Act becoming law, by 26 April 2025.

1.3 Ofcom is on track to meet this deadline. Ofcom's illegal harms consultation was issued on 9 November 2023, it closed on 23 February 2024 and Ofcom is now analysing the responses with a view to publishing a statement in late 2024. Ofcom will also publish its protection of children consultation in May 2024. Ofcom is confident that it will issue a statement on the protection of children in time to meet the statutory deadline.

2. PAC conclusion: The public may be disappointed with the new regime if people cannot quickly see improvements to their online experience or understand how their complaints are acted on.

2. PAC recommendation: Ofcom needs to develop mechanisms to provide feedback to complainants, particularly where this has contributed to Ofcom taking action against a service provider.

2.1 The government disagrees with the Committee's recommendation.

2.2 Ofcom agrees it is important for users to see improvements to their online experiences. Regulated services will be required to operate easy-to-use, accessible and transparent complaints procedures; Ofcom holds enforcement powers to bring them into compliance. The Act does not empower Ofcom to adjudicate on individual complaints; these should be directed to the provider itself, which is best placed to resolve issues.

2.3 Ofcom recognises the importance of gathering information about users' experiences. Ofcom's online form allows users to report where they feel a service provider has failed to properly address their concerns. Ofcom will analyse complaints for trends that may require further action such as additional research, engagement with services, or consumer campaigns. Ofcom's enforcement decisions will usually note where they have been informed by user complaints. User complaints to Ofcom will be acknowledged and they will be directed to sources of support.

2.4 Eligible entities representing the interests of users and members of the public will be able to bring super-complaints to Ofcom about concerns that services' features or conduct present a risk of harm to users. The government will specify, in regulations, criteria for eligible entities, and Ofcom will issue guidance on how it will handle super-complaints.

2.5 The Act requires Ofcom to undertake a report on services' reporting and complaints procedures. Following this, the Secretary of State may impose, through regulations, a duty on Category 1 services to arrange and engage in an impartial, out-of-court, alternative dispute resolution procedure.

3. PAC conclusion: Ofcom lacks clarity about how it will identify and respond to non-compliance and when to use its enforcement powers.

3. PAC recommendation: Ofcom should urgently finalise its automated compliance monitoring systems and clarify its enforcement approach with service providers where engagement has not proved possible.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2025

3.2 Given the scale and scope of the regime, Ofcom is designing data-driven tools to identify potential risks, including non-compliance.

3.3 A foundational task is identifying the services likely to fall in scope. Ofcom has developed a classification tool, which is already providing insights into the profile of regulated services and will continue to refine it drawing from the experience of applying the Act.

3.4 Additionally, Ofcom is developing several interconnected tools which could help to flag where services may not be compliant. For example:

- Building a live database of services' characteristics including risk factors.
- Automating the analysis of Terms of Service to check whether they include the provisions required by the Act.
- Automating the analysis of news and users' complaints about services to enable timely engagement in case of emerging threats.
- Exploring tools to automatically verify whether users can access pornography without an age check.

3.5 This will inform the possible need for enforcement in several ways, including by flagging increasing risk of harm, which may be due to ineffective safety processes, or potential compliance concerns.

3.6 Ofcom expects services to engage constructively and openly, and to be willing to make improvements. Ofcom will use its enforcement powers where it considers appropriate, reasonable, and proportionate to do so, guided by its regulatory principles. Ofcom's approach to investigating compliance concerns and enforcing the Act's requirements is set out in its draft enforcement guidance, on which it has consulted. Ofcom intends to publish the final guidance in late 2024.

4. PAC conclusion: Ofcom has yet to work through the detail of how fees levied on industry will work, including how it will recover the set-up costs and cover the ongoing costs of the regime.

4. PAC recommendation: As part of its Treasury Minute response to this report, Ofcom should set out:

- ***• The modelling it plans to undertake on the fee regime;***
- ***• How it will transparently report on its approach to the fee regime; and***
- ***• How it will transition from the current funding regime to a self-financing model.***

4.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2024

4.2 As set out in its approach to implementing the Online Safety Act 2023, Ofcom will consult publicly in Summer 2024 on its approach to the fees regime, including the definition of Qualifying Worldwide Revenue and its statement of charging principles.

4.3 As part of this consultation, Ofcom will set out the evidence and reasoning for its proposed approach, which will include financial modelling and impact assessments undertaken to support these proposals.

4.4 Ofcom continues to work with the Department for Science, Innovation and Technology (the department) with the aim of implementing the fees regime in the 2026-27 financial year. The consultation will provide more detail about the proposed timetable.

4.5 Decisions around recouping Ofcom's costs pre-dating the initial charging year are the responsibility of the Secretary of State. The department intends to consult on the approach to recoupment once the fee regime is operational.

5. PAC conclusion: Effective regulation will require Ofcom and the Department to sustain the skills and people they need in a fast-moving and highly technical sector.

5. PAC recommendation: Both the Department and Ofcom need to determine how often they should undertake regular skills audits to identify gaps, including at senior and board level, to ensure that they continue to have the right people with the right skills in place. They should complete an initial audit within the first year following the Online Safety Bill becoming law.

5.1 The government disagrees with the Committee's recommendation.

5.2 The department and Ofcom agree with the Committee that they must have the right skills and people in place, to regulate effectively. Both organisations already have effective workforce planning processes, which ensure that the required skills are in place, fulfilling the intent of this recommendation.

5.3 Ofcom's workforce planning runs half yearly. The online safety-specific detail of this workforce plan feeds into its online safety learning and development provision, as well as recruitment pipeline considerations, ensuring capability and capacity is proactively built as required. Ofcom reports to Parliament annually through its Annual Report and Accounts on its overall strategy for people, skills and capabilities to meet its remit.

5.4 Ofcom's Strategy and Research, Online Technology, and Online Safety leadership teams together with the input of wider academic external partners work to ensure Ofcom keeps abreast of technology developments and understands the implications of these in regard to knowledge, skills and approaches to ways of working. More widely, Ofcom has launched a systematic horizon scanning function to understand the impact of technology developments over the next decade.

5.5 The department runs a yearly business planning process through which directorates specify and agree the headcount, roles and specialisms required to deliver their functions effectively.

5.6 Directorates including the Online Harms directorate hold delegated learning budgets and regularly assess particular skills needs. Departmental non-executives are appointed through a regulated public appointments process. The department will shortly announce a new cohort of non-executives who will support the board for a term of 3 years.

6. PAC conclusion: The long-term success of the regime depends on Ofcom continuing to learn from international engagement and regular evaluation.

6. PAC recommendation: Ofcom and the Department should accelerate their work on evaluating the regime and collaborating with other regulators (both UK- and overseas-based), so they can identify emerging risks and better understand how regulation is working, including identifying the most effective solutions.

6.1 The government agrees with the Committee's recommendation.

Recommendation implemented

6.2 The department and Ofcom recognise the value of evaluation and international collaboration, and have comprehensive and timely plans for this, and continually look for opportunities to gain further insight.

6.3 Identifying specific and realistic objectives and tracking progress against them will be a key focus in the early years of the regime for both Ofcom and the department. Both parties will share information where possible and will formalise engagement by establishing an Evaluation Steering Group.

6.4 The department has a plan to monitor and evaluate the Act's implementation through capturing baseline and ongoing evidence. This was informed by extensive planning in 2023 including developing a specific evaluation framework.

6.5 Ofcom is designing a full suite of metrics to track whether safety outcomes are changing as intended. Ofcom is engaging with regulated services, third-party organisations, users, and academics to collate metrics where available before Codes of Practice come into force, and to enable better measurement as the regime evolves.

6.6 The department routinely engages with international partners to discuss and promote online safety and recently signed a memorandum of understanding with the Government of Australia to deepen cooperation on online safety and security.

6.7 Ofcom recognises the importance of engaging with other regulators, having jointly established the Digital Regulation Cooperation Forum in the UK and the Global Online Safety Regulators Network. Ofcom is planning an extensive work programme with other regulators in 2024-25. To promote increased regulatory collaboration, the department recently delivered a statutory instrument enhancing Ofcom's ability to share online safety information with specified overseas regulators.

Fourteenth Report of Session 2023-24

Department for Levelling Up, Housing and Communities, Home Office

Homes for Ukraine

Introduction from the Committee

The UK government launched the Homes for Ukraine scheme on 14 March 2022, following the Russian invasion of Ukraine in February 2022. The scheme enables people in the UK to sponsor and host Ukrainian nationals who are seeking refuge from the war. Individuals are granted three-year visas to stay in the UK, with full access to public services, benefits, and other support. By January 2024, 141,200 Ukrainians had come to stay in the UK.

The scheme is jointly run by the Department for Levelling Up, Housing & Communities (DLUHC) and the Home Office. The Home Office primarily leads on operational matters relating to the processing of visas and checks on the suitability of the sponsor. DLUHC leads on all aspects of the scheme from the point of arrival of Ukrainians into the UK, working closely with local authorities and devolved governments.

Just under 74,000 sponsors had applied to host Ukrainians under the scheme by September 2023 and DLUHC continues to provide funding for new arrivals, about 400 people a week. Any adult in the UK can act as a sponsor providing they pass eligibility checks conducted by the Home Office and local authorities. Sponsors must commit to hosting for a minimum of six months and can claim thank you payments from government worth £350 a month for the first year and then £500 a month for years two and three. The local authority where the sponsor is based receives a one-off tariff payment of £10,500 per arrival (reduced to £5,900 for all arrivals since 31 December 2022) to help with support and integration needs.

By the end of September 2023, the government had provided £2.1 billion in funding for the scheme. The government announced in the Autumn Statement in November 2023 that it will extend thank you payments for another year and provide a further £120 million funding to the devolved administrations and local authorities in England to invest in homelessness prevention.

Based on a report by the National Audit Office, the Committee took evidence on 23 November 2023 from the Department for Levelling Up, Housing and Communities and the Home Office. The Committee published its report on 23 February 2024. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Investigation into the Homes for Ukraine scheme – Session 2023-24 (HC 1863)
- PAC report: Homes for Ukraine – Session 2023-24 (HC 69)

Government response to the Committee

1. PAC conclusion: The lack of a government decision on whether to extend visas granted as part of the scheme is causing needless uncertainty for those Ukrainians who arrived in the UK first.

1. PAC recommendation: The Home Office and DLUHC should, as part of their Treasury Minute response, set out when they will make a decision about whether scheme visas will be extended and whether there will be options for permanent settlement. They should make these decisions well ahead of the first visas expiring in March 2025.

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

Recommendation implemented

1.2 To provide Ukrainians with future certainty, on 19 February 2024, the government announced that existing Ukraine scheme visa holders will be able to apply for further permission to remain in the UK for an additional 18 months under the Ukraine Permission Extension Scheme.

1.3 The Ukraine Permission Extension scheme will provide the same rights and entitlements to access work, benefits, healthcare and education that Ukrainians have benefited from under the existing schemes.

1.4 Applications will open from early 2025 for those who hold permission to remain under the three original Ukraine schemes: Homes for Ukraine, the Ukraine Family Scheme and the Ukraine Extension Scheme. Individuals will be able to apply within the last three months of their existing visa.

1.5 Further detail on eligibility and application processes will be made available before the scheme opens.

1.6 The Ukraine schemes are temporary visa routes offering sanctuary for those fleeing the Ukraine war and do not lead to settlement. This was a key principle of the schemes when they were established at the outbreak of the war in recognition that Ukraine will need its citizens, from around the world, to support its reconstruction efforts to recover and rebuild their economy and infrastructure.

2. PAC conclusion: We are concerned that the risk of homelessness among Ukrainians in the UK is likely to increase as more sponsorships end or break down.

2a. PAC recommendation: DLUHC should, as part of its Treasury Minute response, set out what action it will take to:

- ***increase the number of local authorities that regularly provide homelessness data returns;***

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

Recommendation implemented

2.2 The Department for Levelling Up, Housing and Communities (DLUHC) has already taken action to improve how many local authorities respond to data collection on Ukraine homelessness. The department has worked closely with local authorities to boost the response rate, identifying where submissions are missing, incomplete or of poor quality.

2.3 Local authorities are also sent multiple reminders to complete their returns and where appropriate, can request brief extensions for submission. The effectiveness of these efforts is reflected in the latest collection (February 2024), which received a 90% response rate, increasing from a 67% response rate in June 2023.

2.4 To maintain a high response, the department will continue to work closely with local authorities through the actions set out above. Where local authorities do not respond to a particular collection, the department imputes data on the number of homelessness duties owed from their last response to maintain an accurate picture of trends. Using this approach, the latest publication included data for the number of duties owed from 98% of local authorities.

2.5 Alongside collecting the management information, the department works closely with local authorities through the Homelessness Advice and Support Team, a team of experts seconded in from the homelessness sector, to understand local pressures.

2b. PAC recommendation: DLUHC should, as part of its Treasury Minute response, set out what action it will take to:

- ***secure an adequate supply of sponsors for the scheme in the future in a cost-effective way.***

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

Recommendation implemented

2.7 DLUHC undertake a variety of actions to encourage new sponsors. This includes actions to encourage new hosts for rematching with guests who need to move out of their current sponsorship arrangement but are not ready to move into their own accommodation.

2.8 The Expression of Interest (EOI) portal which local authorities can access directly to identify potential sponsors in their area for a rematch has been designed to improve the sponsor pool and highlights to anyone interested in sponsoring that they can also match with a guest already in the UK.

2.9 Key communications moments, such as the Homes for Ukraine two-year anniversary are used to promote the scheme through social, media and stakeholder channels. Relevant policy announcements are also used as opportunities to garner support for the scheme and encourage more sponsors to come forward. For example, at the two-year anniversary of the launch of the scheme, the Secretary of State for Levelling Up thanked sponsors and encouraged more to sign up via a video on departmental social media channels.

2.10 Ongoing collaboration with Recognised Providers who match sponsors and guests, other voluntary community sector partners, and local authorities, allows effective targeting of communications through stakeholder channels, to aid the recruitment of sponsors and facilitate new and existing sponsors to host Ukrainians already in the UK through rematching.

2.11 Those accessing the EOI portal are also signposted to the recognised provider page for support in becoming a sponsor or a rematch host.

2.12 Councils receive flexible tariff funding for a range of interventions to support Ukrainian guests into long-term sustainable housing including through Private Rented Sector access schemes and rematching.

3. PAC conclusion: The Home Office's failure to meet its targets for processing visas is leaving some Ukrainians facing an unacceptably long wait for decisions to be made on their applications.

3a. PAC recommendation: The Home Office should, as part of its Treasury Minute response, set out what action it will take to meet its targets in future, and what plans it has in place to respond should there be a future surge in applications.

3b. PAC recommendation: The Home Office should publish quarterly updates on visa processing times for the remainder of the Scheme.

3.1 The government agrees with the Committee's recommendations.

Recommendation implemented

3.2 As part of 'normalising' the operational delivery of Homes for Ukraine, the Home Office has formally introduced a 15 working day customer service standard from February 2024 which will be published quarterly as part of the migration transparency data.

3.3 This information will be captured and recorded in line with existing processes on other visa routes and will include all non-complex applications, as well as any complex applications which can still be processed within 15 days.

3.4 To ensure targets on processing times can be met, the Home Office has used data on application volumes over the last few months to ensure there is sufficient resource in place to process new applications, whilst also resolving any outstanding complex applications as and when the relevant checks are complete.

3.5 Should there be a future surge in applications due to a change in circumstances in Ukraine, the Home Office will be able to urgently reprioritise the deployment of resource within the department's operational teams, as demonstrated in the early months of the war. This time, there are caseworkers available who have experience of Homes for Ukraine and the necessary processes and casework systems are already in place to enable an effective response to any increase in volumes.

4. PAC conclusion: DLUHC is making decisions about future funding of the scheme without a proper understanding of how effective funding has been in supporting those taking part in the scheme to date.

4a. PAC recommendation: DLUHC should, as part of its Treasury Minute response, explain:

- ***what evidence it used as the basis for its decision to continue funding thank you payments and the additional homelessness prevention funding announced at the autumn statement; and***

4.1 The government agrees with the Committee's recommendation.

Recommendation implemented

4.2 DLUHC looked in detail at a range of evidence to understand the value for money case for thank you payments including the use of the Office for National Statistics (ONS) survey data to understand sponsor intentions, employment, earnings and homelessness data, arrivals data and estimates of likely demand for sponsorship to set out the fiscal benefits of the policy.

4.3 This analysis suggests that thank you payments are good value for money compared to the counterfactual of government support for alternative accommodation options/ homelessness support. It costs £6 to £8 per person per night to provide a Ukrainian sponsorship accommodation (based on monthly thank you payments of £350 per household in the first year, and £500 per household thereafter), which is much lower than the costs to accommodate households in temporary accommodation.

4.4 Sponsorship accommodation uses pre-existing supply (avoiding additional pressure on the housing market) and provides day-to-day support from sponsors with finding employment, education and accessing public services. The ONS survey results from July 2023 found that a higher proportion of adults on the Homes for Ukraine scheme were employed or self-employed in the UK (55%) compared with those on the Ukraine Family Scheme (not in sponsorship accommodation) (46%).

4.5 There is good evidence that homelessness prevention funding is good value for money and reduces the number of households that enter temporary accommodation. The impact evaluation of the Homelessness Prevention Trailblazers found a 13% reduction in acceptances for the homelessness main duty compared to non-trailblazer areas.

4.6 At Autumn Statement 2023, the government announced £120 million UK-wide funding to invest in homelessness prevention. This funding can be used to support all households at risk of homelessness, including Ukrainian households who can no longer remain in sponsorship for 2024-25. This followed the £150 million which was made available during 2023-24.

4b. PAC recommendation: DLUHC should, as part of its Treasury Minute response, explain:

- ***how it will ensure that is has a robust evidence base going forward so that any future funding is targeted towards the most effective interventions and where there is most need.***

4.7 The government agrees with the Committee's recommendation.

Recommendation implemented

4.8 A variety of sources are used to inform DLUHC's evidence base about how the scheme is progressing, and to inform future funding decisions.

4.9 DLUHC continues to work closely with voluntary community sector organisations, local authorities and others to monitor the needs of Ukrainian guests and this informs what and where the most effective interventions are. For example, targeting funding to those local authorities who had a higher number of Ukrainian guests arriving.

4.10 As part of the quarterly payments process, DLUHC requires local authorities to provide detail on how they are spending their tariff. This information improves our-understanding of how the scheme is operating in practice and inform future funding decisions.

4.11 As noted in the department's response to recommendation 2, DLUHC continues to take action to improve how many local authorities respond to data collection on Ukraine Homelessness.

4.12 DLUHC will continue to work with ONS and Home Office to collect survey information from both guests and hosts in order to build, maintain and monitor a robust evidence base.

5. PAC conclusion: The scheme was set up at speed and has helped 141,200 Ukrainians come to the UK, but DLUHC does not know fully what aspects of the scheme have or have not worked and whether overall the scheme has been value for money.

5. PAC recommendation: As part of its Treasury Minute response, DLUHC should set out what plans it has to evaluate the scheme, both while it is still ongoing and at the end of the scheme. These evaluations should include:

- ***how lessons learned from the scheme, and best practice examples, could be used for potential future resettlement schemes; and***
- ***a consideration of the overall value for money of the scheme.***

5.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2025

5.2 The department has committed to a continuous evolution approach, refining the scheme as lessons are learnt. It continues to monitor various data and evidence across the scheme to assess progress against key milestones and metrics (as set out in the NAO Report dated October 2023), reporting regularly to the Homes for Ukraine Programme Board. This includes, analysis of LA Foundry returns, homelessness statistics, ONS surveys and LA quarterly returns as part of the LA tariff and Thank You payment assurance process which has demonstrated effective use of the funding.

5.3 The department undertook an exercise to identify the emerging lessons of the sponsorship model to inform future refugee policy and preparation. It is also developing an emergency sponsorship playbook to equip future decision makers with the key considerations for establishing a similar scheme in future.

5.4 It will continue to collect and monitor this data and is currently exploring options for a further value for money evaluation of the scheme.

5.5 It is clear, however, that Homes for Ukraine was an effective value for money approach for accommodating high numbers of Ukrainians at speed. As stated above, DLUHC looked in detail at a range of evidence to understand the value for money case for thank you payments, this showed that thank you payments are good value for money compared to the counterfactual of government support for alternative accommodation options/ homelessness support. It costs £6 to £8 per person per night to provide a Ukrainian sponsorship accommodation (based on monthly thank you payments of £350 per household in the first year, and £500 per household thereafter), which is much lower than the costs to accommodate households in hotels or temporary accommodation and lower than housing benefit costs to support private rental option.

6. PAC conclusion: DLUHC has not yet assessed what it will do when its current contract with Palantir to provide the scheme's main data system ends in September 2024.

6. PAC recommendation: DLUHC should, as part of its Treasury Minute response, set out its assessment of its commercial options once the current Palantir contract expires. If this includes extending the contract with Palantir, DLUHC should explain how this is justified under current procurement regulations. In particular, how such a decision would be consistent with the Government Chief Commercial Officer's concerns about departments accepting IT companies' offers to provide free trial periods to gain a commercial foothold.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: September 2024

6.2 Under the terms of the Palantir contract, the service may run for up to 3 years. This means that the contract can, subject to agreement of both parties, be extended until September 2025.

6.3 DLUHC is undertaking work to review the options available to the department ahead of the expiry of the current Palantir contract in September 2024, including the potential to renew the contract for a final year. As this is commercially sensitive information, the department is unable to provide any further information at this time.

6.4 The Government Chief Commercial Officer's (GCCO) concerns alluded to by the Committee did not specifically relate to Homes for Ukraine which fell within the 'exceptional circumstances' cited by GCCO, including the need for urgency and a robust data platform to be established at pace.

Fifteenth Report of Session 2023-24

HM Treasury

Managing government borrowing

Introduction from the Committee

Government borrows when its spending exceeds its income, which has been the case in all but five of the last 53 years. Borrowing allows government to continue to deliver important public services when tax receipts fall, or spending requirements increase. Government needs to pay interest on the money it borrows, and government's overall debt increases when it borrows more than it repays. Public sector net debt excluding the Bank of England (PSND ex BoE) is government's preferred measure for reporting on public finances. PSND ex BoE, which is the amount by which total government spending exceeds its total receipts, excluding assets and liabilities held by the Bank of England, was an estimated £2,251 billion at the end of 2022–23, equivalent to 86.1% of the UK's gross domestic product (GDP). Interest payments on this debt totalled an estimated £112 billion. The government's debt stock is forecast to continue rising through to 2028–29.

The Treasury is responsible for the government's fiscal and debt management policy, and for delivering the government's overall debt management objective which is "to minimise, over the long term, the costs of meeting the government's financing needs, taking into account risk, while ensuring that debt management policy is consistent with the aims of monetary policy". Ministers make judgements about taxation, spending and the total amount of borrowing required. Government borrows by issuing bonds, known as gilts, through the UK Debt Management Office (DMO) to large investors in the capital markets, or by encouraging savers to invest in National Savings & Investments (NS&I) retail products such as Premium Bonds. In 2023–24, the DMO was tasked with raising £232.3 billion, while NS&I was required to raise £7.5 billion. The Treasury's Debt and Reserves Management (DRM) team is responsible for stress-testing and challenging any analysis the DMO and NS&I provides during the preparation of the annual borrowing requirement known as the "remit". The Office for Budget Responsibility (OBR), which is independent of government, examines and reports on the sustainability of the public finances, in addition to forecasting the government's borrowing needs.

Since 2009, the Bank of England's quantitative easing (QE) programme has acted as a guaranteed buyer of government gilts, purchasing just under £900 billion, thereby indirectly helping the DMO sell the gilts it needed. However, QE is now unwinding, meaning for the first time the DMO will be selling gilts at the same time as the Bank of England. With interest rates having risen to levels not seen since 2008, the government is forecast to make a £126 billion loss on the QE programme, further increasing the government's borrowing needs. These higher interest rates, together with inflation-linked debt, lead to higher debt interest payments for government, which risks eroding government choices for public spending.

Based on a report by the National Audit Office (NAO), the Committee took evidence on 7 December 2023 from HM Treasury, the Debt Management Office, National Savings & Investments, and the Office for Budget Responsibility. The Committee published its report on 5 March 2024. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Managing government borrowing – Session 2022-23 (HC 1658)
- PAC report: Managing government borrowing – Session 2023-24 (HC 74)

Government response to the Committee

1. PAC conclusion: The Treasury is not able to fully monitor performance in meeting its debt management objective owing to a lack of quantifiable measures.

1. PAC recommendation: The Treasury, together with the DMO and NS&I, should set out, as part of the Treasury Minute response, how they plan to improve performance measurement against the debt management objective, including their analysis of international approaches and possible new metrics that could be introduced.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2025

1.2 To better improve performance measurement against the debt management objective, the government will look to examine international best practice and what it can apply from other countries. Alongside this, it plans to thoroughly assess any prospective quantitative and qualitative measures it could consider, and how it can systematically report performance further in the future.

1.3 Currently, the government closely monitors the UK's debt portfolio and reports on it in the annual Debt Management Report (DMR), which was last published in March 2024. A detailed assessment of the costs and risks associated with debt issuance in 2024-25 (including yields and risk premia, demand from investors, and various risks – such as inflation and refinancing risk) is set out in Annex B of this publication.

1.4 The Debt Management Office (DMO) also reports on its performance against its objectives and operational targets in its Annual Report and Accounts, whilst National Savings & Investments (NS&I) report on performance against its Service Delivery Measures (SDMs) in its Annual Reports and Accounts. The Economic Secretary sets targets for SDMs, which are also published annually.

1.5 Making decisions on borrowing involves balancing a range of cost and risk considerations. The International Monetary Fund (IMF) Public Debt Management Network's 2014 Revised Guidelines for Public Debt Management sets out the key features that are essential for optimal debt management, all of which are in the line with the UK's approach.

1.6 Since the National Audit Office (NAO) published its report, the government has developed further its evidence base to assess performance after having welcomed its recommendations. The following analyses have been conducted and published:

- Analysis conducted by the DMO on the value of issuing index-linked gilts over time, demonstrated that, for index-linked gilts that had matured since their introduction in 1981 but prior to August 2023, the government had generated direct savings of around £77 billion in total from the issuance of index-linked gilts if valued at maturity, or £158 billion in 2023 terms.
- HM Treasury (HMT) furthered its analysis of the UK's exposure to refinancing risk (published in the DMR annually), to account for the impacts of quantitative easing (QE). This demonstrated that the average effective maturity of the UK's debt stock remains longer than peers even after accounting for QE (at 11 years), leaving it relatively more insulated from interest rate rises.

1.7 Regarding retail financing, HMT and NS&I routinely use the 'Value Indicator' (VI) in setting NS&I's annual Net Financing target and rates on products, monitoring how it evolves throughout the year. Alongside this, in 2024-25 NS&I will utilise additional measures of cost effectiveness of raising finance to sit alongside the VI. More broadly, NS&I's SDMs include an 'efficient administration of funds ratio' that measures the costs of managing each £100 of funds held. For 2023-24, NS&I is forecasting to achieve the SDM with a figure of 6.8p (beneath a target of 7.2p).

1.8 The challenges around providing a definitive metric to measure performance against a qualitative objective are recognised in the NAO's report and across international issuers. For example, in the US, its quarterly refunding reports concentrates on financing needs and recommended issuance skews but does not attempt to quantify past performance – in a similar vein to the UK's annual DMR. In France, the Agence France Trésor publishes an annual report, which contains qualitative analysis on its performance against the debt management objective over the past year – the form and content of the report is similar in nature to the UK DMO's quarterly reviews.

1.9 Despite these challenges, the government recognises the need to continually review and improve on how it manages the costs and risks associated with debt management. It will therefore seek to continue improving its evidence base in the coming months, including through examining international best practice, and how it can systematically report performance further in the future (as set out fully above).

1.10 The government will write to the Committee when this analysis is concluded.

2. PAC conclusion: We are concerned that the Treasury, DMO and NS&I will not have the necessary skills, experience, and institutional knowledge needed to overcome the challenges they face now, and in the years to come.

2. PAC recommendation: The Treasury should set out, as part of the Treasury Minute response, its overarching plan for building and retaining skills and experience, which should include, but not limited to, the following:

- ***How NS&I is upskilling its workforce to deliver its Rainbow Programme;***
- ***Details of the DMO's succession planning, in particular an assessment of the merits of a minimum term or equivalent for the new CEO; and***
- ***How the Treasury builds and retains institutional knowledge.***

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 It is important for HMT, DMO, and NS&I, to have the right skills and resources to execute their duties effectively, given the critical role played in delivering value for money for the taxpayer.

2.3 To support delivery of the transformation programme (formally known as Rainbow), NS&I has plans in place to upskill the organisation by insourcing functional skills in IT and service integration, alongside growth in its commercial and contract management expertise. In the context of a wider Civil Service Headcount cap, NS&I has retained the ability to grow their headcount to support core transformation activity whilst using external contractors and consultants where needed to provide additional short-term support.

2.4 The DMO has a developed resourcing strategy to maintain skills and capacity, and enhance resilience for its operations, including to identify where there is greater potential for the loss of critical skills. It has examined the key person risk for all direct reports of its Executive Committee, considering mitigation measures for each person or skill set, the route to hire suitable skills, and to capture and retain knowledge within the team. The DMO has developed an action plan for both short and longer term by role, and is now expanding knowledge and providing further training across the organisation to help develop specialist skills.

2.5 In December 2023, HMT launched a campaign to recruit a new DMO Chief Executive. HMT announced the successful candidate on 16 April 2024, after undertaking a full and open recruitment. The DMO Chief Executive is a vitally important and high-profile leadership role, which is further reflected in the recent upgrade to Director General, with an increase in the salary. The role has been offered on a permanent basis. HMT launched the campaign with plenty of notice to find the right candidate to take on this critical public role, and to allow for a handover period before the incumbent retires. This approach will ensure a smooth transition in leadership at the DMO, which is now underway.

2.6 The Treasury also places great weight on knowledge management within the department, ensuring policy decisions and key stakeholder engagements are adequately captured and shared over time. The department invests in its people to develop the skills and capabilities required to undertake varied and complex work and to respond flexibly to the evolving needs of the department. Throughout 2023-24 a range of corporate learning and development initiatives were delivered, including for example: People Management workshops and a Policy Leadership Programme, as well as offering a range of external qualifications in policy, economics, tax, and analytics.

2.7 In recognition of some of the key challenges around retention and skills shortage, HM Treasury has recently undertaken a programme of work to de-merge one of its grades, which provides a pay uplift to approximately a third of its largest cohort of staff. This brings the department's grading structure in line with the rest of the Civil Service, which will help to respond to issues it has experienced attracting and retaining staff at this grade.

3. PAC conclusion: The Treasury and the DMO lack the information needed to better identify unlawful activity and understand the risks posed by overseas investors, potentially reducing the value for money from future gilt sales.

3a. PAC recommendation: The Treasury, together with the DMO, should write to us, within two months of the conclusion of the CMA's investigation, outlining what steps they will take to address the information gaps around identifying potentially unlawful activity, including:

- ***The changes the Treasury will make to its gilt selling process in response to the CMA's investigation;***
- ***Undertaking a formal review of the DMO's gilt selling process to identify any additional changes that could further limit the possibility of collusion, including the information it collects to help monitor unlawful activity; and ….***

3.1 The government agrees with the Committee's recommendation.

Target implementation date: To be advised

3.2 As requested, HMT, together with the DMO, will write to the Committee with this information within two months of the conclusion of the Competition and Market Authority's (CMA) investigation. There is currently no statutory deadline for when the CMA will issue a final decision on the case. The government will therefore look to inform the Committee with more information on timing in the future, subject to this being made available by the CMA.

3b. PAC recommendation: The Treasury should, as part of its Treasury Minute response, set out its assessment of how increasing foreign ownership is affecting the stability of the UK gilt market, and the steps the Treasury and the DMO can take to gain more information on the foreign holders of UK debt.

3.3 The government agrees with the Committee's recommendation.

Recommendation implemented

3.4 Overseas investors play an important role in maintaining the diversity of the gilt investor base, ensuring that underlying demand for UK debt remains strong, changes in gilt supply can be met smoothly, and borrowing costs can be minimised in line with the debt management objective. A diverse investor base ensures that government is not overly reliant on any one type of investor.

3.5 Overseas investors include a range of different types of investors, who each have different incentives to buy and trade gilts. This includes foreign central banks, where the role of sterling as a reserve currency has increased. It also includes funds which may originate from the UK but are domiciled abroad. It is therefore not the case that appetite for gilts from all overseas investors will be perfectly correlated or that they are all inherently riskier than domestic investors.

3.6 The gilt market is a large and liquid market with an independent rate setting body. There is no reason to believe that global investors' strategic allocation will change while the underlying instruments continue to represent diversification and meet liquidity requirements.

3.7 While UK gilts are registered instruments, they are mostly held in nominee accounts, with intermediaries passing on any gilt principal or coupon payments to the underlying beneficial holder who may be domiciled elsewhere. The government currently has no visibility of the underlying beneficial owners of gilts.

3.8 This data limitation is not uncommon across jurisdictions; however, the department will review the sovereign bond ownership data available to other countries to consider if there is anything it can learn from their approaches.

4. PAC conclusion: We are concerned that significant problems with NS&I's procurement of its Rainbow Programme could leave limited flexibility or room for further delays.

4. PAC recommendation: NS&I should set out, as part of its Treasury Minute response, the following:

- ***A list of the key project milestone between now and the Rainbow Programme launch date (thereafter NS&I should provide 6 monthly progress updates against these milestones);***
- ***The expected costs of extending the Atos contract beyond March 2025 and the contingency plans should Atos not wish to extend contract; and***
- ***Details on how it will avoid further delays to Rainbow Programme.***

4.1 The government agrees with the Committee's recommendation.

Recommendation implemented

4.2 Developing a transition plan is a complex process reflecting the technical and cultural complexity of changing a structure that has been in place for 25 years. This involves NS&I balancing a range of factors, some of which stem from the historical structure of NS&I. Others relate to commercially sensitive matters (relating to providers) that add complexity to the development of the integrated plan.

4.3 NS&I is currently working with Atos, NS&I's incumbent provider and preferred bidder for its core banking system, along with IBM and Sopra Steria, as the providers of its new service packages, to formulate an integrated transition plan. The plan will provide key project milestones (e.g. the launch of a transactional customer mobile app), ensuring that the transition is orderly and does not disrupt services to customers.

4.4 NS&I will share this integrated transition plan with the Committee when it is finalised. As requested by the Committee, NS&I will also share updated plans on a six-monthly basis.

4.5 Transforming NS&I is a £2.2 billion programme. As set out in evidence to the Committee, an additional 12 months of termination assistance services was agreed with Atos to March 2025, the cost of which is encompassed in the total cost of the programme. The contract enables NS&I to utilise this provision for a further 12 months beyond March 2025 if needed. Commercial terms, which would then determine the subsequent costs, would be agreed at point of extension with Atos. Should Atos not agree to extend, NS&I would seek to ensure an orderly transition to a new supplier in a manner that does not disrupt services to customers. There are a range of approaches NS&I could take, all of which at this time are commercially sensitive.

4.6 NS&I's programme governance has been audited and assured by the Government Internal Audit Agency (GIAA) over the last year. A representative from GIAA's Project and Programme Management Assurance practice and a representative of the Infrastructure and Projects Authority are standing attendees at the Transformation Programme Board. NS&I is also in the process of adding a member of the executive team of another government department to the programme board to provide additional insights and experience from another public body. It is also working with the Cabinet Office's complex transaction team to provide additional expert support.

5. PAC conclusion: We are not convinced that the Treasury, DMO and NS&I have adequately captured the lessons learned during the financial crisis and pandemic to prepare them to deal with the challenges to come.

5. PAC recommendation: The Treasury, DMO and NS&I should set out, as part of the Treasury Minute response, the lessons they have identified and learned from the financial crisis and pandemic, including the process whereby these lessons are captured and the changes that have been made to the borrowing process because of these lessons.

5.1 The government agrees with the Committee's recommendation.

Recommendation implemented

5.2 Previous crisis episodes placed extraordinary demands on the government and capturing lessons learned have helped to improve its preparedness.

5.3 Following the Review of HM Treasury's management response to the financial crisis, the Professionalising Crisis Management project was established to ensure the department is ready to effectively respond to future financial stability events. It has expanded considerably since, and the department has developed a suite of manuals and resources to support the deployment of tools in crises.

5.4 More recently, the COVID-19 pandemic posed an unprecedented challenge that required the government to revise its financing requirement outside of the normal cycle. As discussed in the government's response to recommendation 4b of the Committee's Ninth Report of Session 2023-24, HMT remains committed to learning and sharing lessons from the response to the pandemic. In respect to borrowing, HMT has since agreed with the Office for Budget Responsibility (OBR) that it will consult the OBR on any future out-of-cycle internal fiscal projections (that, for example, might be used to inform a DMO financing update). In light of market challenges at the time, there was also an increase in the planned DMO end-financial year net cash position, to provide additional day-to-day liquidity.

5.5 Generally, setting the DMO's remit each year involves taking into account the market's feedback to design a programme that best meets the debt management objective. This serves as an annual lessons learned process, which remained robust during the pandemic.

5.6 NS&I's funding target was also increased materially at the time. NS&I met this by maintaining high rates on easy access variable products, which led to very high demand for their products and services. When these rates fell, customers moved quickly to withdraw funds creating further operational pressures, which, regrettably, negatively impacted customers experiences and public trust in NS&I.

5.7 The operational pressures from both high inflows and subsequent outflows were exacerbated by NS&I's older systems. NS&I's transformation programme will deliver the systems scalability needed to meet sudden spikes in demand and the robustness customer 'journeys' that enable customers to complete these online without further support.

Sixteenth Report of Session 2023-24

HM Revenue & Customs

HMRC performance in 2022-23

Introduction from the Committee

HMRC employs around 64,000 people and is responsible for administering the UK's tax system. For 2022–23, HMRC's strategic objectives were to: collect the right tax and pay out the right financial support; make it easy to get tax right and hard to bend or break the rules; maintain taxpayers' consent through fair treatment and protect society from harm; make HMRC a great place to work; and support wider government economic aims through a resilient, agile tax administration system. In 2022–23, HMRC reported £814.0 billion of tax revenues, an increase of £82.9 billion (11.3%) compared with 2021–22. HMRC estimates the tax revenue generated from its tax compliance activities (compliance yield) in 2022–23 was £34 billion, up 10% compared with 2021–22 (£30.8 billion). It estimated the tax gap (the difference between the amount of tax that should, in theory, be paid to HMRC, and what is actually paid) to be £35.8 billion, or 4.8% of total theoretical liabilities (£739.3 billion) in 2021-22, the latest year available. HMRC paid out £34 billion in 2022–23, including £8.8 billon of Personal Tax Credits and £11.6 billion of Child Benefit. As part of administering the tax system HMRC is also responsible for managing tax reliefs, including the research and development reliefs available to businesses.

Based on a report by the National Audit Office, the Committee took evidence on 14 December 2023 from HM Revenue and Customs. The Committee published its report on 28 February 2024. This is the government's response to the Committee's report.

Relevant reports

- NAO report: HM Revenue & Customs 2022-23 Accounts
- PAC report: HMRC Performance in 2022-23 – Session 2023-24 (HC 76)

Government response to the Committee

1. PAC conclusion: HMRC's customer service levels are at an all-time low because of conscious choices made by HMRC and HM Treasury.

1. PAC recommendation: HM Treasury and HMRC should ensure HMRC's customer services are sufficiently resourced in the short as well as the longer-term so that it can meet its service standards until its digital services adequately address the needs of taxpayers and their agents.

1.1 The government agrees with the committee's recommendation.

Recommendation implemented

1.2. The government agrees that His Majesty's Revenue & Customs (HMRC or the department) should be sufficiently resourced. The 2021 Spending Review set out that HMRC will receive a £0.9 billion cash increase over the Parliament, from £4.3 billion in 2019-20 to £5.2 billion in 2024-25. This includes over £130 million of investment to enable HMRC to enhance its digital services.

1.3 The government believes that, with the 2021 Spending Review investment, HMRC's digital services address the needs of many taxpayers and their agents. These digital services are highly rated, with customer satisfaction scores exceeding 80%.

1.4 The government supports HMRC's strategy for developing modern services and encouraging customers to self-serve online. HMRC is engaging with stakeholders about how to ensure all taxpayers' needs are met as HMRC encourages more people to online self-service. Ensuring that HMRC make the best use of online services will allow it to help more taxpayers as well as get the most out of every pound of taxpayers' money by boosting productivity. HMRC's helpline and webchat advisers will always be there for those taxpayers who need support because they are vulnerable, digitally excluded or have complex affairs.

1.5 HMRC estimates that around two thirds of the telephone contact that it currently receives is for tasks that can be carried out using its online services instead. For example, HMRC received more than 3 million calls on getting a tax code, resetting an online password or getting a National Insurance number in 2022-23.

2. PAC conclusion: While we recognise the progress HMRC is making to tackle tax debt, we are concerned that it should have sufficient checks to protect taxpayers from being pursued too forcefully.

2. PAC recommendation: HMRC should:

- ***establish a clear, easily accessible route for taxpayers to report issues they face when dealing with debt collection agencies working on behalf of HMRC; and***
- ***report back to the Committee with a summary of any issues raised and how HMRC has dealt with them.***

2.1 The government agrees with the Committee's recommendation.

Target implementation date: September 2024

2.2 HMRC has been using private sector Debt Collection Agencies (DCAs) since 2009 to provide extra capacity. HMRC publishes information on the DCAs it uses and the activities they undertake on GOV.UK.

2.3 At all times, DCAs collecting tax debts are acting for HMRC and are expected to meet standards of service set by the department. Taxpayers who have concerns about the service they receive from a HMRC DCA can raise a complaint with HMRC through the department's established complaints procedure. HMRC will then recall the debt from the DCA while it considers the complaint. Separately, each DCA has in place its own complaints procedure and includes details on its website. Less than 0.1% of debts placed with DCAs generate a complaint.

2.4 Though complaints about HMRC DCAs are very rare, HMRC is committed to ensuring guidance is as clear as possible and will update GOV.UK to provide more clarity about how taxpayers can raise a complaint to HMRC about a DCA's handling of their case.

2.5 In 2022-2023, HMRC's Debt Management service received 3,791 complaints, 167 (4%) of which related to cases handled by DCAs. For context, debt items sent to DCAs represented 6.5% of total debt items received in this period. 86% of the DCA related complaints were not upheld. HMRC will write separately to the Committee with a summary of the issues raised by these complaints.

3. PAC conclusion: HMRC is not taking seriously enough the distress caused to innocent citizens when companies use the wrong address to register their business.

3a. PAC recommendation: We expect HMRC to take serious action against companies registering with the wrong addresses. HMRC should report back to the Committee on:

- ***the scale of the issue and the level of tax at risk;***

3.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2024

3.2 There are many reasons why companies use addresses that are different from their business address for correspondence or registration purposes, which may be legitimate and not fraud- or tax-related. Evidence indicates that criminals are less likely to choose to use an unconnected person's address, as opposed to an address they control, when registering with HMRC with the intent of carrying out tax fraud. This is because the true owner of the address is likely to alert HMRC when they start to receive correspondence for the unknown company.

3.3 Nevertheless, HMRC has processes in place to identify fraudulent tax registrations and will take action where they are linked to incorrect addresses. For Corporation Tax, registration automatically flows through from Companies House registration data. Where use of an incorrect address is identified, the production of further correspondence to that address is blocked and the true owner of the address is notified where it is possible to do so. For Value Added Tax (VAT), registration applications from companies are subjected to identity validation/eligibility checks and HMRC sends confirmation to the business address provided, which should prompt the true owner of the address to contact the department if this is not the correct address.

3.4 HMRC will provide the Committee with a written update on the tax risks associated with deliberate hijacking of addresses for fraudulent purposes by summer 2024.

3b. PAC recommendation: HMRC should report back to the Committee on:

- ***its plans for ensuring innocent people do not suffer from bogus registrations and HMRC's demands for tax from the wrong people.***

3.5 The government agrees with the Committee's recommendation.

Recommendation implemented

3.6 HMRC recognises the distress that misdirected letters can generate and will take immediate action to correct this when identified. The department would only use its enforcement powers against the taxpaying entity and would not pursue the true owner of the address in the case of a bogus registration. In addition, where the use of someone else's address to register for VAT is identified, the department will act to de-register/prevent registration if there is a suspicion of fraud.

3.7 For Corporation Tax, registration automatically flows through from Companies House registration data. If HMRC is aware that an incorrect address has been used, it will take steps to prevent the automatic production of correspondence to that address. The department may also notify the true owner of the address where it is possible to do so.

3.8 In 2023, there were circa 67,000 new companies registered with Companies House each month. Most companies initially register with Companies House, where the Registrar will verify the application. Most Corporation Tax records are automatically set up using a data feed from that process. Companies which also register for VAT do so directly with the department and are subjected to further identity validation/eligibility checks. An average of 18,000 companies a month applied for VAT registration in 2023.

3.9 HMRC is working closely with Companies House to support implementation of the Economic Crime and Corporate Transparency Act 2023. This will consider ways of strengthening controls for registration of a new company and improving the processes through which company accounts are filed, as well as opportunities for greater intelligence sharing and reviewing accuracy of current data held on the Companies House Register.

4. PAC conclusion: We are concerned that HMRC's approach to serious abuse is not deterring criminal activity sufficiently, while at the same time its approach to tackling IR35 is deterring legitimate economic activity.

4a. PAC recommendation: HMRC should:

- ***provide to the Committee further detail of the value of tax at stake in cases of criminal prosecutions in recent years***

4.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2025

4.2 HMRC is able to provide compliance yield information related to its criminal prosecutions, which is indicative of the relevant tax at stake. HMRC already publishes each year via the Annual Report and Accounts Technical Note Customer compliance: our approach to tax compliance and serious fraud for HMRC's Fraud Investigation Service (FIS) the total compliance yield reported by HMRC's Fraud Investigation Service (who conduct HMRC's criminal investigations) along with the prosecution figures.

4.3 This compliance yield includes the results of both civil and criminal investigations by FIS and is currently not broken down further. HMRC will explore the potential of disaggregating this further.

4b. PAC recommendation: HMRC should:

- ***provide further explanation of how HMRC is using fewer prosecutions to achieve greater deterrence of egregious non-compliance.***

4.4 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2024

4.5 The government will provide further explanation by the target date. The Committee will be aware that HMRC is already working on a previous Committee recommendation to review the deterrent effect of criminal investigations resulting in a prosecution. The data to support this work is currently being collected for use by HMRC's specialist analysis function and will provide the department with a refreshed view of the deterrent impact of tax crime prosecutions.

4c. PAC recommendation: HMRC should:

- ***provide to the Committee the number of active litigation cases for IR35 and the amount of tax at risk.***

4.6 The government agrees with the Committee's recommendation.

Recommendation implemented

4.7 Employment status is usually straightforward to determine and uncontroversial, but some cases are more complex or finely balanced and may result in a dispute between the taxpayer and HMRC. HMRC aims to resolve disputes by agreement with the taxpayer, without the need for litigation; however, where the taxpayer and HMRC cannot reach an agreement, the taxpayer has a right to refer the dispute for determination by the First-tier Tribunal.

4.8 HMRC makes decisions on litigation in line with its published Litigation and Settlement Strategy.

4.9 As disputes are costly for both HMRC and its customers, HMRC will not usually persist with a tax dispute unless it would secure the best practicable return for the Exchequer and HMRC has assessed its case as being one which it believes would be successful in litigation. HMRC will take account of the tax at stake in the case and also the potential liabilities of other customers where there is the potential for wider impact.

4.10 Since 2000, when IR35 was introduced, the First-tier Tribunal and its predecessor, the Special Commissioners, have heard 44 cases. The number of cases heard represents a very small proportion of the number of individuals whose employment status HMRC examined to consider whether they were within the scope of the IR35 legislation.

4.11 As at the end of March 2024, there were 26 active appeals, of which 20 were awaiting listing for a substantive First-tier Tribunal hearing. This compares with the total number of 2,012 cases the First-tier Tribunal heard in 2022-23 (Table 16 of HMRC's Tax Assurance Commissioner Annual Report 2022-23).

4.12 For all 26 cases, the tax under dispute totals approximately £13.6 million.

4.13 Since 1 January 2020, HMRC has won over 70 per cent of employment status and IR35 cases. This includes two decisions handed down in HMRC's favour.

4d. PAC recommendation: HMRC should:

- ***assess the impact of HMRC's approach to administering IR35 reforms on the use of contractors in different sectors.***

4.14 The government agrees with the Committee's recommendation.

Recommendation implemented

4.15 HMRC remains committed to understanding the impacts of the off-payroll working reforms.

4.16 In December 2022, HMRC published research on the short-term effects of the 2021 reform, including insight on the way off-payroll workers are engaged following the reform. This showed that around half of organisations engaging off-payroll workers found the reforms easy to administer. Research also found most organisations used at least one area of HMRC support to understand and apply the rules, with the overwhelming majority finding this support useful.

4.17 This followed similar research published into the 2017 reform.

4.18 Furthermore, HMRC published its own analysis into the impacts of the 2021 reform. The analysis showed the sectors with the highest proportion of workers who were previously working through personal service companies and moved to another organisation's payroll, were from professional, scientific and technical; information and communication; transport and storage; finance and insurance; and administrative and support services. HMRC will update this analysis when new data becomes available.

4.19 HMRC also gathers customer insight through various sources to understand how customers in different sectors are responding to the reform and whether a sector may have been particularly affected or may face particular challenges in applying the rules.

4.20 Feeding into this, on 27 March 2024, HMRC included an optional question in its Check Employment Status for Tax (CEST) tool asking from which sector the customer operates. This insight will help HMRC better understand customer usage of CEST across different sectors and identify any specific sectoral challenges.

5. PAC conclusion: HMRC has been too slow to identify the scale of error and fraud in research and development tax reliefs and its approach to tackling offenders does not sufficiently target those committing serious fraud over those making honest mistakes.

5. PAC recommendation: Now that it understands the true scale of error and fraud, HMRC should ensure it goes back over previous years. This should involve:

- ***going back sufficiently far to tackle egregious fraud; and***
- ***telling those businesses who made honest mistakes to correct their returns or risk investigation.***

5.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2024

5.2 HMRC seeks to recover research and development (R&D) tax relief where it was not claimed in accordance with the law. All claims go through a risk screening process; new requirements to submit claims electronically and provide additional information will enable HMRC to risk assess large volumes of claims in an automated way and target interventions on higher-risk claims.

5.3 HMRC opens enquiries within legislative time limits. In the majority of cases, adjustments for incorrect R&D claims will be limited to claims investigated within the normal time limit of 12 months from the date the claim is submitted. However, HMRC does consider raising assessments outside of this normal time limit where relevant legislative conditions are met, including where there is evidence of deliberate non-compliance. Where there is evidence of deliberate non-compliance HMRC can look back up to 20 years to address this.

5.4 HMRC has increased its resources addressing non-compliance in R&D. Currently over 500 people work on R&D compliance, compared with around 100 in 2020-21. HMRC has also created an Anti-Abuse Unit (AAU), undertaking compliance activity where there is suspected abuse of the relief. This sits alongside work done by HMRC's Fraud Investigation Service, where HMRC suspects criminality.

5.5 In spring 2024, the HMRC R&D Disclosure Facility will go live on GOV.UK, enabling customers or agents to inform HMRC if they may have overclaimed, or claimed in error and are out of time to amend their tax return. This will give customers the opportunity to come forward and put things right themselves rather than awaiting HMRC intervention.

6. PAC conclusion: HMRC's reliance on the tax gap measure is not providing a sufficiently stretching target for its compliance performance.

6. PAC recommendation: HMRC needs to demonstrate that its compliance yield target is sufficiently ambitious to provide stretch in HMRC's performance each year and to take account of inflation in the tax base.

6.1 The government agrees with the Committee's recommendation.

Recommendation implemented

6.2 In accordance with an agreed methodology between HMRC, HM Treasury and the Office for Budget Responsibility (OBR), HMRC's annual compliance yield target is set at a level that aligns with the OBR's assumption that core compliance activity maintains a stable tax gap, and to secure the additional revenues from fiscal event measures that bear down on the tax gap.

6.3 This methodology ensures the compliance yield target increases in line with tax receipts, encompassing increases in the tax base. This target is highly stretching, and it is forecast to increase year on year.

Seventeenth Report of Session 2023-24

Cabinet Office, HM Treasury

Cabinet Office functional savings

Introduction from the Committee

The first government functions were formally established in 2013. They are groups of professionals who work across government to provide expert skills in areas such as procurement, major project delivery and finance. Through their work, functions seek to increase the efficiency of the work undertaken by government. By October 2023, there were 14 functions across government. In the 2021 Spending Review, HM Treasury set multi-year budgets for departments, encouraging them to achieve savings of approximately 5% on their "day-to-day" budgets by 2024–25. The Cabinet Office is responsible for ensuring that the functions provide data on their efficiency savings, for verifying the data provided, and reporting on the overall annual efficiency savings made across government. The Government Internal Audit Agency (GIAA) is responsible for assuring the claimed savings before publication, by assessing the methodologies used. The Cabinet Office started measuring and reporting on the financial efficiency savings and wider benefits made by the functions in 2021. So far, it has reported that functions, departments and other central bodies achieved £3.4 billion of cash-releasing savings in 2020–21, and £3.4 billion of cash-releasing savings and £1.0 billion of non-cash-releasing savings in 2021–22.

Based on a report by the National Audit Office, the Committee took evidence on Wednesday, 10 January 2024 from the Cabinet Office and HM Treasury. The Committee published its report on 1 March 2024. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Cabinet Office functional savings – Session 2022-23 (HC 1865)
- PAC report: Cabinet Office functional savings – Session 2023-24 (HC 423)

Government response to the Committee

1. PAC conclusion: Reporting on efficiency across government is essential to enable government to make effective decisions about where to spend public money.

1a. PAC recommendation: HM Treasury should use its new efficiency framework to monitor, collate, record and report savings across departments.

1.1 The government agrees with the Committee's recommendation.

Recommendation implemented

1.2 In July 2023, HM Treasury (HMT) published the Government Efficiency Framework (GEF). The framework sets common standards for the defining, collecting, and reporting of data on efficiency savings.

1.3 The GEF reporting is currently being rolled out across government, and HMT will look to learn lessons from the first round of pilot reporting requirements, including the scope of reporting, and will look to iterate these requirements with departments. Efficiencies, as defined within the framework, will be the focus of reporting as opposed to non-efficiency savings.

1b. PAC recommendation: After reviewing the first sets of departmental reporting using the new Efficiency Framework, HM Treasury should set a timetable for when departments will report these savings in their annual report and accounts, including determining, in consultation with the National Audit Office, what assurance arrangements these figures will be subject to.

1.4 The government agrees with the Committee's recommendation.

Target implementation date: end April of 2025

1.5 GEF efficiency reporting by government departments will take time to fully bed in, for inconsistencies to be ironed out, and for lessons to be learned. There will also be varying degrees of maturity, between both government departments and across the different functions, in how they identify, hold and report efficiencies.

1.6 HMT therefore sees the continued adoption of the GEF across government, and reporting against it, as a long-term objective. As reporting becomes standardised, HMT will consult with key parties on how best to deliver the Committee's recommendation.

1.7 HMT will update the Committee by April of 2025 setting out the outcome of that consultation and the key next steps.

2. PAC conclusion: Different functions are still at different levels of development, and different levels of maturity in their approaches to calculating and reporting savings.

2a. PAC recommendation: Cabinet Office should, within six months, take stock of the different functions to understand their respective progress, and outline how it will support those who need remedial action to improve.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: end October 2024

2.2 The functions' current respective methodologies for measuring and reporting efficiency savings reflect the diversity of functional activity undertaken in their respective areas. The Cabinet Office will review the different methodologies and set out a plan to support improvements, with functions capturing new or additional efficiencies as appropriate. The Cabinet Office will follow up with the outcome to the Committee in Autumn 2024.

2.3 Beyond Autumn 2024, the Cabinet Office will be working closely with HMT to ensure that Functions' current respective methodologies transition to the GEF which was published in July 2023. This sets out a government-wide standard framework for tracking, monitoring, and oversight of efficiency savings.

2b. PAC recommendation: By the end of 2024, the Cabinet Office should publish a balanced scorecard for each function which includes savings of all types made by the functions.

2.3 The government agrees with the Committee's recommendation.

Target implementation date: end June 2025

2.4 The Cabinet Office will publish further details, for each function, showing the range of savings, benefits, and other performance measures as appropriate. Publication of this information is expected to be in Spring 2025, aligning with the annual function efficiency savings.

3. PAC conclusion: Cabinet Office and HM Treasury do not have a full picture of the performance of functions.

3. PAC recommendation: As part of the Treasury Minute response, the Cabinet Office should set out how it will work with functions to develop consistent methodologies that report the totality of the costs, benefits and savings delivered by functions, using metrics that can be compared across time and different areas of government.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: by December 2025

3.2 The functions' respective methodologies for measuring and reporting efficiency savings reflect the diversity of functional activity undertaken in their respective areas. These methods range from release of cash (commercial), efficiencies baselined against projected scenarios (communications), fraud prevention, detection and recovery (counter fraud) to cash collected over business as usual (debt).

3.3 The GEF will drive consistency in the way that government departments measure and report efficiencies. The GEF sets out what efficiency is, how it should be categorised, and best practice in gathering high quality information to measure and report efficiencies.

3.4 The Cabinet Office and HMT are working closely together as the GEF is adopted by departments and functions.

3.5 Through the adoption of the GEF, all efficiencies will be required to be reconcilable to departmental budgets and as such will avoid double counting of efficiencies by requiring common and comparable baselines.

4. PAC conclusion: Cabinet Office and HM Treasury have not ensured that functions have fully reported the efficiencies they achieve.

4a. PAC recommendation: The Cabinet Office and HM Treasury should set out what the targets are that functions are working towards in the next functions' savings exercise.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: end October 2024

4.2 The Cabinet Office will work with HMT to set savings targets (cash releasing and non-cash releasing savings) across the functions to work towards for the 2023-24 savings exercise due to be published in Spring 2025. The Cabinet Office will report back to the Committee on these targets in October 2024.

4b. PAC recommendation: Once the new targets have been set, the Cabinet Office and HM Treasury should work with all the functions to more robustly test the amount and scale of savings they report, and challenge functions to report wider savings where necessary.

4.3 The government agrees with the Committee's recommendation.

Target implementation date: end June 2025

4.4 The Cabinet Office will ensure functions report savings that are commensurate with the savings target set, publishing this in the Spring 2025 efficiency and savings publication after they have been audited by the Government Internal Audit Agency (GIAF).

4.5 The Cabinet Office will use the new targets to encourage Functions to identify robust savings that are able to meet rigorous GIAF standards.

5. PAC conclusion: Cabinet Office and HM Treasury have not finalised how they will manage the risks of double-counting and cost-shunting.

5a. PAC recommendation: HM Treasury and the Cabinet Office should incorporate into the 2023–24 efficiencies exercise:

- ***Examples of best practice on calculating, recording and reporting of savings with departments and functions;***
- ***Clearer guidance on how to avoid cost-shunting and double-counting, as well as any other adverse effects.***

5.1 The government agrees with the Committee's recommendation.

Target implementation date: end June 2025

5.2 The Cabinet Office will include case study examples of best practice for the 2023-24 efficiency and savings return guidance, showing how savings were calculated, recorded and reported.

5.3 The Cabinet Office will also provide guidance to functions on how to avoid cost-shunting and double-counting, with examples. The Cabinet Office will report back to the Committee in Spring 2025.

5b. PAC recommendation: By the end of 2024, the Cabinet Office and HM Treasury should report back to the Committee on what assurance they have received from departments that the savings claimed have not led to costs elsewhere in government.

5.4 The government agrees with the Committee's recommendation.

Target implementation date: by end December 2024

5.5 Cabinet Office and HMT will provide an update to the Committee on assurances received from functions and departments that cost shunting and double counting have not led to costs elsewhere.

5.6 The Committee should be aware that the implementation of the GEF provides additional checks and balances against cost shunting and double counting.

5.7 The GEF takes a systematic approach to efficiency, stating that an efficiency saving should not push costs elsewhere in the public sector and should not have adverse impacts to outputs and outcomes.

5.8 The GEF also standardises the holding and reporting of efficiency data, including for joint efficiencies, which further strengthens scrutiny not just within departments but also across departments so that cost shunting and double counting does not occur.

Eighteenth Report of Session 2023-24

HM Treasury

Excess Votes 2022-23: The Department of Health and Social Care

Introduction from the Committee

This Report is part of the framework of control over government spending. Resource based Supply requires Departments to estimate and manage the financial resources they need during each financial year on an accruals basis for commitments to provide services, and on a cash basis to meet commitments as they mature. Parliament authorises Departments' proposed cash spending and use of resources.

HM Treasury is responsible for monitoring and overseeing Departments' compliance with the limits authorised by Parliament and for controlling adjustments to the approved limits during the financial year. If a Department needs to adjust its budget during the year it has one opportunity to do so via a Supplementary Estimate, which is approved by Parliament towards the end of the financial year.1

Resource-based Estimates reflect accruals and non-cash consumption of resources, such as depreciation. A cash limit is also voted by Parliament together with a non-budget line, through which departments are required to record adjustments to their prior year costs. Parliament expects Departments to stay within the limits they are voted. Any expenditure outside the limits authorised by Parliament potentially undermines parliamentary control over public spending. A breach of any of the budgetary control limits, the cash limit or the non-budget line results in the need for the expenditure to be regularised through the Parliamentary Excess Votes process.

Under Standing Order of the House of Commons number 55(2)(d), the Committee of Public Accounts scrutinises the reasons behind any individual bodies exceeding their allocated resources, and reports to the House of Commons on whether it has any objection to making good the reported excesses. Once the Committee has reported, Statements of Excesses will be presented to Parliament, to be voted into the Supply and Appropriation (Anticipation and Adjustments) Act. The passing of this Act authorises the additional grant by Parliament to regularise the excesses incurred by departments.

Figure 1 below shows the excesses incurred in 2022–23. Parliament is being asked to approve additional budget for the excesses reported in the table.

The Committee published its report on 29 February 2024. This is the government's response to the Committee's report.

Figure 1: Summary of 2022-23 Excesses

Department	Voted Resource Departmental Expenditure Limit	
	Excess £	Amount to be voted £
Department of Health and Social Care	946,445,000	946,445,000

Relevant reports

- PAC report: Excess Votes 2022-23: – Session 2023-24 (HC 589)
- Supplementary Estimates 2022-23: (HC 1133)
- Department of Health and Social Security Annual Report and Accounts 2022-23 (HC 33)

Government response to the Committee

1: PAC conclusion: The Department of Health and Social Care breached its Voted Resource Departmental Expenditure Limit by £946.4 million.

1: PAC recommendation: Under the terms of the Standing Order of the House of Commons number 55(2)(d), we recommend that Parliament provides the additional resources by means of an Excess Vote, as set out in Figure 1.

1.1 The government agrees with the Committee's recommendation.

Recommendation implemented

1.2 Following the publication of the 2022-23 excesses by the Committee, HM Treasury has laid the Statement of Excesses 2022-23. These excesses are included in the Supply and Appropriation (Anticipation and Adjustments) Act 2024 providing the additional resources by means of an Excess Vote which received Royal Assent on 20 March 2024.

Treasury Minutes Archive[1]

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

Session 2023-24

Committee Recommendations: 142
Recommendations agreed: 133 (94%)
Recommendations disagreed: 9

Publication Date	PAC Reports	Ref Number
February 2024	Government response to PAC reports 1-6 [80 Session 22-23]	CP 1029
March 2024	Government response to PAC reports 7-11	CP 1057
April 2024	Government response to PAC reports 12-18	CP 1070

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

[1] 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
December 2021	Government response to PAC reports 12, 17-21	CP 583
January 2022	Government response to PAC reports 22-26	CP 603
February 2022	Government response to PAC reports 27-31	CP 631
April 2022	Government response to PAC reports 32-35	CP 649
April 2022	Government response to PAC reports 36-42	CP 667
July 2022	Government response to PAC reports 49-52	CP 722

Session 2019-21

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

Publication Date	PAC Reports	Ref Number
July 2020	Government responses to PAC reports 1-6	CP 270
September 2020	Government responses to PAC reports 7-13	CP 291
November 2020	Government responses to PAC reports 14-17 and 19	CP 316
January 2021	Government responses to PAC reports 18, 20-24	CP 363
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

Publication Date	PAC Reports	Ref Number
March 2019	Government responses to PAC reports 69-71	CP 56
April 2019	Government responses to PAC reports 72-77	CP 79
May 2019	Government responses to PAC reports 78-81 and 83-85	CP 97
June 2019	Government responses to PAC reports 82, 86-92	CP 113
July 2019	Government responses to PAC reports 93-94 and 96-98	CP 151
October 2019	Government responses to PAC reports 95, 99-111	CP 176
January 2020	Government response to PAC reports 112-119 [1 and 2]	CP 210

Session 2016-17

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

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

Session 2015-16

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

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

Treasury Minutes Progress Reports Archive

Treasury Minutes Progress Reports provide updates on the implementation of recommendations from the Committee of Public Accounts. These reports are Command Papers laid in Parliament.

Publication Date	PAC Reports	Ref Number
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

978-1-5286-4844-8
E03118911