HM Treasury

Treasury Minutes

Government Response to the Committee of Public Accounts on the Nineteenth to the Twenty-fourth reports from Session 2023-24

CP 1085

May 2024

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

May 2024

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

Nineteenth report of Session 2023-24

Ministry of Defence

MoD Equipment Plan 2023 - 2033

Introduction from the Committee

The Ministry of Defence (the MoD) has published its Equipment Plan (the Plan) each year since 2012, setting out its 10-year spending plans on equipment procurement and support projects. The MoD's aim is to produce a reliable assessment of the affordability of its equipment programme, and to demonstrate to Parliament how it intends to manage its equipment funding. Each year, the National Audit Office (NAO) publishes a report examining the MoD's assessment of the Plan's affordability and its response to the financial challenges it faces.

This year's Plan, which is based on financial data at 31 March 2023 and was published in December 2023, covers the period from 2023 to 2033. It contains forecast costs for some 1,800 equipment projects that the MoD has chosen to fund following the 2021 Integrated Review of security, defence, development, and foreign policy and the associated Defence Command Paper. Both the Integrated Review and the Command Paper were refreshed and broadly endorsed by the government in 2023. The Plan includes equipment in early-stage development, equipment that is already in use and budgets to support and maintain military capabilities.

The MoD has allocated a budget of £288.6 billion to the current Plan's 10-year timeframe. This is £46.3 billion more than the MoD allocated in the 2022–2032 Plan and is 49% of the entire 10-year forecast defence budget. However, forecast costs have increased by £65.7 billion to £305.5 billion, resulting in a £16.9 billion deficit between the MoD's capability requirements and the budget available to provide them. This is the largest affordability gap in any of the 12 Plans published by the MoD to date.

Based on a report by the National Audit Office, the Committee took evidence on 22 January 2024 from the Ministry of Defence. The Committee published its report on 8 March 2024. This is the government's response to the Committee's report.

Relevant reports

- NAO report: The Equipment Plan 2023–2033 – Session 2023-24 (HC 315)
- PAC report: MoD Equipment Plan 2023–2033 – Session 2023-24 (HC 451)
- Integrated Procurement Model: driving pace in the delivery of military capability - 28 February 2024.

Government response to the Committee

1. PAC conclusion: The MoD's approach to dealing with the largest Equipment Plan deficit ever is an optimistic assumption that government will fulfil its ambition to spend 2.5% of GDP on defence each year.

1. PAC recommendation: The MoD should demonstrate in its future Plans that it has a disciplined approach to budgeting which keeps costs in line with the funding available, challenges project teams on costs and takes account of risks such as inflation. It should also include a prioritised list of capabilities that government expects it to deliver, and clearly set out what it would need to cut if future funding does not meet the 2.5% aspiration.

1.1 The government disagrees with the Committee's recommendation.

1.2 The Prime Minister has committed to defence spending reaching 2.5% of GDP in 2030.

1.3 The Ministry of Defence (the department) has already implemented changes to commercial policy to manage inflation and continues to make greater use of index-linked fixed price contracts to prevent firms from either applying high premia on firm price bids or not bidding entirely. Engagement with the department's main suppliers to discuss how inflation will be treated in future contracts, including a view of what is reasonable for payroll costs, is ongoing.

1.4 The government sets out the capability required by the Armed Forces via Strategic Reviews such as the Integrated Review and Defence Command Papers. The department does not intend to set out a list of capabilities that would be cut if certain budget assumptions are not met as this would create a risk to operational security and undermine industry confidence.

1.5 The department is continuing to work through the Defence Command Paper 2023 which signals a shift to focus more on Artificial Intelligence, autonomous and digital capabilities to modernise the Armed Forces, and reinforces the importance of assuring the department's supply chains.

2. PAC conclusion: The Plan is inconsistent because some parts of the Armed Forces include the costs of all capabilities that the government expects them to deliver, while others only include those they can afford.

2. PAC recommendation: In future Plans, the MoD should ensure that all budget holders adopt the same approach to including forecast costs. This will help the Plan to achieve its aim of providing a reliable assessment of the affordability of its equipment programme, and improve transparency so allowing the Plan's users, including Parliament, to compare contributors' positions on a like-for-like basis.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2025

2.2 All Top-Level Budget Holders (TLBs) already operate within the same standardised financial planning processes. The department's operating model, where responsibility for managing the equipment plan is delegated to TLBs, acknowledges that they have different financial positions and carry a balance between capability and financial risk.

2.3 For transparency and for ease of comparison, the department will seek to standardise the data that is produced and how it is presented for the Equipment Plan from the Annual Budgeting Cycle planning round process.

3. PAC conclusion: The MoD's prioritisation of the Defence Nuclear Enterprise carries a risk that this will further squeeze budgets for conventional capabilities.

3. PAC recommendation: The MoD should build upon the transparency it introduced in this year's Plan regarding nuclear costs and budgets by reporting trends in nuclear funding and how these might affect budgets for conventional capabilities in future Plans.

3.1 The government disagrees with the Committee’s recommendation.

3.2 The Defence Nuclear Enterprise (DNE) comprises a range of interdependent programmes to support, maintain and renew the United Kingdom’s independent nuclear deterrent as well as the decommissioning and disposal activities for defence nuclear capabilities when they leave service. Funding for these programmes is ringfenced within the defence budget with a contingency fund for the Dreadnought submarine programme also available in year.

3.3 If the conventional equipment plan budget is impacted by the need to provide additional funding for the nuclear equipment plan, then the department will make that clear. However, the department believes that to go further and hypothesise on whether there might be a requirement in the future to move funding from the conventional into the nuclear equipment plan would be wholly speculative and would not be a useful basis for planning.

4. PAC conclusion: Uncertainty about the MoD’s future demand for equipment hinders its work with industry to develop a resilient, responsive, and cost-effective supply chain.

4. PAC recommendation: In order to build industry’s confidence to invest in supply chain capacity, the MoD should develop and communicate clear and funded schedules of work for the procurement and support of its military equipment.

4.1 The government agrees with the Committee’s recommendation.

Target implementation date: Spring 2025

4.2 The department agrees with the need to provide a clearer signal to industry on future demand. Greater transparency of the future pipeline is an important element of the new Integrated Procurement Model, building on earlier commitments in the Defence and Security Industrial Strategy (DSIS) and Defence Command Paper Refresh.

4.3 Since publication of the DSIS, the Defence Capability Framework, the Acquisition Pipeline, a number of sector specific strategies and most recently the Science and Technology Collaboration and Engagement Strategy all mark significant progress on this commitment and allow industry to plan ahead.

4.4 Under the Integrated Procurement Model, the department is continuing to improve visibility of long-term planning processes to inform industry’s future plans and investment. The department is forming a new alliance with industry, moving beyond the traditional customer-supplier relationship, developing long-term strategic alignment that not only delivers the capabilities required now, but binds the department and industry into a joint endeavour that can sustain the nation in times of conflict.

4.5 The department is also bringing industry into the fold much sooner, from the conception and development of ideas through to the final stages of delivery and are involving industry at all levels earlier in the military capability development processes. The department is working to ensure there is a collaborative technical environment, operating at secret levels of classification, to share information with industry in a much more dynamic way.

4.6 The department continues to publish the Acquisition Pipeline twice yearly, in April and October.

5. PAC conclusion: The MoD’s strategy for replacing ageing capabilities is undermined by the slow delivery of new systems, resulting in military capability gaps.

5. PAC recommendation: The MoD should include in next year's Plan an assessment of what impact its new procurement strategy has had on improving the delivery of new capabilities and set out how this will provide continued improvement going forward.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: December 2024

5.2 The Integrated Procurement Model was announced to Parliament on 28 February 2024. The new model is designed to drive increased pace in delivery of military capability to UK forces on the front line.

5.3 Implementation begins from April 2024 with initial integration services provided by UK Strategic Command's Integration Design Authority; new direction and guidance to support Spiral development; and decisions on new major programmes being informed by earlier, independent advice from experts that will inform the choices and trade-offs. Implementation will continue through 2024-2025.

5.4 In line with the Defence Command Paper 2023 ambition to drive pace in acquisition, the department will monitor the increase in pace of delivery and provide updates as appropriate.

6. PAC conclusion: The MoD is becoming increasingly reliant on the UK's allies to protect the UK's national interests, which carries the risk that such support might not always be available.

6. PAC recommendation: The MoD should assess the extent to which its capability requirements are reliant on support from the UK's allies and develop mitigations for how it would manage the risk of allied support being curtailed or withdrawn.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2025

6.2 To address the threats to the UK in a more contested and volatile world, and to leave adversaries in no doubt the ability and willingness to fight and win, Defence must possess balanced and credible capabilities across all domains.

6.3 The department capitalises on the UK's reputation as a convening power and the strength of the Defence Network to drive a cooperative and mutually supportive burden-sharing approach to effectively counter malign threats and support global stability.

6.4 Support provided by NATO allies, but also through allies in other groupings and beyond the Euro-Atlantic Theatre, is well understood. Such support will continue to be reviewed as part of capability planning processes and is rigorously scrutinised during planned force testing. The risks and dependencies identified by such force testing events are captured and regularly reviewed to ensure they can be mitigated, and that they inform future UK policy and investment decisions.

6.5 Where the UK must maintain a wholly sovereign capability, as has been announced in the case of munitions, complex weapons, and uncrewed systems, Defence will continue to work with UK industry to ensure that they have the capacity to continue to sustain the capabilities required to protect the UK and its interests.

Twentieth report of Session 2023-24

HM Treasury, Cabinet Office

Monitoring and responding to companies in distress

Introduction from the Committee

The government relies in various ways on private companies to support policy objectives and deliver some public services. Government departments are responsible for managing the relationship with companies and suppliers in their sectors, and for monitoring the risks to their policy objectives including any risks related to company failure or distress. Where failure of a strategically important company or key supplier could expose the government, taxpayers or service users to high levels of risk, the government sometimes decides it is necessary to intervene. This might involve supporting the company and preventing it from failing, rescuing it, or managing the situation so it does not fail in a disorderly way. Government intervention in private companies and markets can be complex and requires access to specialist skills not held widely across government. Many government bodies, including regulators and central government, may also need to be involved in resolving the situation and managing any wider effects.

Based on a report by the National Audit Office, the Committee took evidence on 17 January 2024 from the HM Treasury, Cabinet Office, Department for Business and Trade and UK Government Investments. The Committee published its report on 13 March 2024. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Lessons learned: Monitoring and responding to companies in distress – Session 2022-23 (HC 1866)
- PAC report: Monitoring and responding to companies in distress – Session 2023-24 (HC 425)

Government response to the Committee

1. PAC conclusion: There is still a long way to go to ensure the government has the right sources of intelligence and a joined-up approach to building a complete picture of supplier, company, and supply chain resilience.

1. PAC recommendation: In the Treasury Minute response, HM Treasury, the Cabinet Office and the Department for Business and Trade should:

- ***clarify who is responsible for ensuring intelligence about the resilience of companies, suppliers and supply chains is shared, coordinated and escalated where necessary; and***
- ***summarise what lessons they have learned from experience about the government's approach to gathering and sharing intelligence across government, and what action they are taking as a result.***

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

Recommendation implemented

1.2 The government uses a Lead Government Department (LGD) approach to cover all phases of emergency planning, response, recovery and risk assessment. Usually, the LGD is the department with primary policy responsibility for the risk and expertise for the area impacted by the emergency scenario.

1.3 LGDs should escalate supplier and company risks through their internal escalation routes and to Cabinet Office and HM Treasury as required, for example should the department identifying the risk not be the clear lead for response, if intervention is being considered and HM Treasury spending approval may be required, or for additional expert support.

1.4 Monitoring of suppliers for financial distress has improved significantly since Carillion's liquidation in 2018. The Government Commercial Function's 'Sourcing Playbook' and associated guidance provide recommendations to departments regarding regular monitoring of suppliers' financial performance.

1.5 The Cabinet Office monitors the strategic suppliers to government and proactively engages with public sector stakeholders to share intelligence, including bringing together customers of a common supplier where appropriate. Where there is a high level of exposure across multiple departments, the Cabinet Office may coordinate a response.

1.6 Responsibility for supply chain resilience and corresponding intelligence lies with LGDs. The government has published several strategies to ensure resilience in supply chains for critical sectors, for example on semiconductors, batteries and critical minerals. Supply chain intelligence is regularly gathered by sector teams from conversations with industry and shared with ministers and between officials.

2. PAC conclusion: We are concerned that departments are not maintaining institutional knowledge relating to 'at risk' companies and sectors.

2. PAC recommendation: In the Treasury Minute response, HM Treasury and the Cabinet Office should set out how they will support departments to maintain a continuous level of knowledge about risks to companies and supply chains in sectors that are relevant to their departmental duties and objectives.

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 Supplier and supply chain risk is a standing item for commercial engagement between the Cabinet Office and departments.

2.3 The sharing of intelligence on supplier and sector risk indicators between Cabinet Office and departments is a 'two-way' process, which allows the Cabinet Office and departments to support each other in retaining corporate memory.

2.4 Departments should escalate identified risk indicators within their own governance frameworks such that a record is maintained of decisions made in respect of each risk identified. Guidance on risk management is provided by the Orange Book.

2.5 Commercial teams in the Cabinet Office support supplier monitoring activity by developing regulation and guidance, benchmarking performance, developing and supporting the implementation of playbooks, developing and attracting commercial talent, and monitoring strategic suppliers. Each of these functions supports departments in maintaining a continuous level of knowledge and improving their capability to identify and mitigate risk.

2.6 DBT recently published the Critical Imports and Supply Chains Strategy which sets out actions for government to take with business and international partners to monitor, mitigate, plan, and respond to supply chain shocks. It describes how DBT uses trade data to identify where the UK is over reliant on a country for imports of a good. This data is available for departments to consider diversification options through DBT's diversification dashboards. Where a potential shock is identified, or when an unanticipated event leads to supply chain disruption, a response model has been developed to cover emergency planning, response, recovery and risk assessment.

3. PAC conclusion: We are not convinced that accounting officers give sufficient consideration to the commercial models of those they contract with, which means they do not understand the potential risks (including supplier failure).

3. PAC recommendation: HM Treasury should set out in the Treasury Minute response how it will ensure accounting officers explicitly address the risks presented by suppliers' commercial models in Accounting Officer Assessments for new projects and commitments involving private companies. Should the assessment identify a risk of company failure, we expect it to include an estimate of the impact of supplier failure, high-level contingency plans should failure occur, and an estimate of the potential costs incurred.

3.1 The government agrees with the Committee's recommendation.

Recommendation implemented

3.2 Guidance documents require Accounting Officers (AOs) to consider commercial risks in their decision-making, including around the financial resilience of suppliers. Individual departments are then responsible for providing their AO advice in line with this guidance.

3.3 The AO Assessments Guidance sets out four standards when considering projects and proposals. AOs must consider value for money, which includes evaluating risks from third party involvement. The feasibility standard also requires AOs to consider commercial factors.

3.4 Managing Public Money (MPM) complements the above guidance and sets out responsibility for ensuring an organisation's procurement, projects and processes are systematically evaluated to provide confidence about suitability, effectiveness, prudence, quality, and good value. MPM includes specific expectations on assessing risks and provides links to commercial guidance.

3.5 The Government Commercial Function's 'Sourcing Playbook' sets out a recommended approach to assessing the economic and financial standing of bidders, determining their capacity to deliver as part of the initial selection process. There is a chapter on resolution, providing guidance on monitoring and contingency planning for the failure of suppliers (underpinned by a detailed resolution planning note).

3.6 The Orange Book provides detailed guidance on risk management, including risks from supplier failure and mitigations to manage this.

3.7 In addition to the above guidance, departments and AOs are supported by professionally qualified finance directors and specialist procurement and commercial teams. MPM requires all draft assessments to be approved by a department's senior finance officer before being submitted to the AO.

4. PAC conclusion: We are concerned that accounting officers may not always be equipped to protect taxpayers' money when making decisions on intervention in these fast-paced, high-pressure situations.

4. PAC recommendation: HM Treasury should set out in the Treasury Minute response what it is doing to support accounting officers to discharge their duties and protect taxpayers' money over the course of any company intervention. This should include any training activity and ways in which it is sharing and embedding the NAO's good practice guidance.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: July 2024

4.2 The Accounting Officers' (AO) Assessments Guidance and Survival Guide provide advice on AO responsibilities. Managing Public Money provides complementary information and highlights Cabinet Office guidance.

4.3 The Cabinet Office's Commercial team publishes a range of guidance on identifying and responding to company financial distress. This includes playbooks, e-learning, deep dive training and on-going written guidance.

4.4 HM Treasury's Special Situations team provides central expertise and support for departments when considering bespoke interventions, ensuring they are designed on commercial terms to protect taxpayers' interests and reflect the government's principles for intervention. Departments are also supported by UK Government Investments (UKGI), the government's centre of excellence for corporate finance.

4.5 The Department for Business and Trade's Special Situations team engages across their sector teams and other government departments to respond to economic shocks, signposting others to specialist services across Whitehall.

4.6 While it is departments' responsibility to monitor interventions, HM Treasury will often place conditions on spending approvals that appropriate follow-up work is conducted over the life of an intervention.

4.7 The Second Permanent Secretary of the Treasury regularly writes to departments to draw their attention to the principles and processes for intervention on company cases. This is supplemented by detailed guidance circulated by HM Treasury's Special Situations team.

4.8 The government considers that publication of the National Audit Office's report provides a timely opportunity to further highlight guidance for dealing with distressed companies. HM Treasury will therefore shortly re-issue information across departments and AOs including the NAO's good practice guide.

5. PAC conclusion: The Cabinet Office has not assessed or coherently identified the skills and expertise needed for monitoring and responding to companies in distress.

5. PAC recommendation: The Cabinet Office Commercial Function should set functional standards for monitoring and responding to companies in distress. As part of this process, the Function should write to the Committee within six months, explaining:

- ***The skill requirement across government for monitoring and responding to companies or suppliers in distress;***
- ***The current level of these skills and expertise across government and where gaps exist;***
- ***How the Commercial Function plans to close the gaps identified; and***
- ***How the Commercial Function will ensure departments know where, how and when to access support.***

5.1 The government agrees with the Committee's recommendation.

Target implementation date: April 2025

5.2 The Government Commercial Functional Standard refers to 'Sourcing Playbook' guidance regarding the monitoring of the supplier financial standing and identifying and responding to financial distress. This, together with the work by the Government Finance Function on developing the Risk Management Strategy to strengthen leadership and enhance credibility, collaborate across boundaries and enhance capabilities and drive professionalism precludes the need for setting new functional standards.

5.3 The Government Commercial Function Learning and Development Programmes have a risk-based approach running through all commercial training programmes as well as dedicated sessions with this focus. Both training and guidance documents signpost departments to sources of further support, including sourcing of expertise such as UKGI as outlined in response to recommendation 4, and the Cabinet Office proactively engages with departments to identify gaps in capability with the commercial standards process benchmarking department performance.

5.4 The Government Risk Profession was formally established in 2022. The core principles of the profession's Risk Management Strategy include the need for risk management planning to be central to government planning, policy making, service delivery, monitoring, and reporting activities and that risks are best managed closest to source with professionals and skills embedded in departments at different levels.

5.5 The Cabinet Office Commercial Function will work with the Risk Centre of Excellence in the Government Finance Function, UKGI and HM Treasury's Special Situations Team to look at a more targeted approach to develop the skills required across government for monitoring and responding to companies or suppliers in distress.

6. PAC conclusion: It is vital that the government evaluates and shares the lessons from these cases on a timely and consistent basis, regardless of whether the case resulted in government intervention.

6. PAC recommendation: HM Treasury should set out in its Treasury Minute response how it will update its approach to evaluating company distress cases (including those that have not resulted in government intervention), and how lessons are shared across sectors. Alongside its Treasury Minute response HM Treasury and UK Government Investments should also provide some examples of lessons learned reports or evaluations from recent cases.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: July 2024

6.2 The government agrees with the Committee on the importance of evaluation. To ensure best practice and learning is applied when considering interventions in different sectors, the centre of government, including UKGI, HM Treasury's Special Situations team and Cabinet Office, acts as a source of expertise to support departments drawing on experiences of previous company distress cases.

6.3 To date, evaluation of company cases has not been formalised. This is an area of potential improvement. HM Treasury will therefore work with the Cabinet Office and UKGI to consider future changes, potentially including placing conditions on departments to report back to the centre.

6.4 It is the responsibility of LGDs to evaluate their interventions, as they are best placed to understand sectors they are responsible for, their departmental objectives and legal obligations. HM Treasury and Cabinet Office will consider how to capture and share cross-cutting issues and whether requirements for departmental evaluation can be further strengthened.

6.5 In addition, government interventions are often scrutinised by Parliament, such as the inquiries on Carillion, Silicon Valley Bank (UK) and Bulb Energy. Departmental Select Committees may also hold hearings or exchange correspondence with departments on bespoke interventions, such as CF Fertilisers and Celsa Steel. This provides further rigorous evaluation.

6.6 As highlighted by their report, the National Audit Office provide further evaluation by regularly scrutinising government's response to company distress cases, from Northern Rock to Bulb Energy. As outlined in response to recommendation 4, HM Treasury will circulate the NAO's recent report and good practice guide to departments.

Twenty-first report of Session 2023-24

Department for Levelling Up, Housing and Communities

Levelling up funding to local government

Introduction from the Committee

The Department for Levelling Up, Housing & Communities, or DLUHC ("the Department") has a lead role in Levelling Up funding, which forms a key part of the government's levelling-up agenda to reduce geographic inequality by targeting a broad range of economic and social measures across the UK. There are three significant funds to support local places:

- Towns Fund – consisting of Town Deals and the Future High Streets Fund (England only);
- Levelling Up Fund (UK wide); and
- UK Shared Prosperity Fund (UK wide).

Each of the funds started in different years and have different end dates by which government funds needs to be spent, but all funding must be spent by 31 March 2026. Between them, these funds will allocate up to £10.47 billion to be spent during the period 2020–21 to 2025–26. As of December 2023, the Department had given out £3.7 billion to local places. The Levelling Up Fund and the UK Shared Prosperity Fund involve several other government departments in aspects of their design and delivery. All three funds have overlapping investment themes around regeneration, culture and transport, but the Department allocated funds in different ways. Some funds were allocated by a competitive process after local authorities had submitted bids: this includes the Future High Streets Fund and Rounds 1 and 2 of the Levelling Up Fund. Round 3 of the Levelling Up Fund was allocated exclusively to some of the unsuccessful bids from Round 2, rather than being open to new bids, which was the Department's original intention. The Town Deals were offered to 101 selected towns. The UK Shared Prosperity Fund was allocated to places based on a formula. The Levelling Up Fund and Towns Fund are supporting more than 1,300 individual projects between them, while the UK Shared Prosperity Fund is supporting more than 3,000 projects.

Based on a report by the National Audit Office, the Committee took evidence on 15 January 2024 from the Department for Levelling Up, Housing and Communities. The Committee published its report on 15 March 2024. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Levelling up funding to local government – Session 2023-24 (HC 191)
- PAC report: Levelling up funding to local government – Session 2023-24 (HC 424)

Government response to the Committee

1. PAC conclusion: Local authorities have been able to spend only £1.24 billion, just over 10%, of the promised £10.47 billion from the government's three Levelling Up funds (as of September 2023). Furthermore, by December 2023 the Department had given £3.70 billion to local authorities out of the total allocation.

1. PAC recommendation: In its Treasury Minute response, and then by letter once every six months to this Committee, the Department should set out:

- ***the latest position on the amount of money that has been released to and spent by local authorities across the three funds; and***

- ***provide an update on the progress of projects broken down by fund and project status.***

1.1 The government agrees with the Committee's recommendation.

Recommendation implemented

1.2 Following the setting of a Budget at Spending Review 2021, the distribution of Levelling Up Funds can be seen in four stages:

- The announcement of the global figure at Spending Review for the full lifespan on the fund,
- The allocation or awarding of funding to a local authority (in most cases),
- The transfer or release of funds to that local authority (LA), once it is ready to receive them, and
- The spending of money by the LA.

1.3 Figures cited by the Committee compare the amount spent by LAs to the total announced at Spending Review for the lifespan of the funds, less than halfway through the Spending Review Period. However, it is unsurprising that the £1 billion allocated to local authorities in November 2023 had not yet been spent.

1.4 The government considers a fairer measure of success to be the amount of money spent by LAs compared to the funding released to them. This avoids a situation where future funding – or money yet to be received by LAs because of the Spending Review profile – is used to judge performance.

1.5 To date, the government has released £4 billion to local authorities across the three funds and LAs have spent £1.45 billion. Based on forecasts received by LAs, the Department for Levelling Up, Housing and Communities (DLUHC, the department) expects them to spend 70-86% of funding transferred to them in 2023-24. Exact amounts can be confirmed when monitoring returns are received this summer.

1.6 The latest Monitoring Report provides a snapshot of delivery as of September 2023:

- The Levelling up Fund has offered 342 projects funding, of which 330 are underway and 8 complete.
- The Towns Fund has offered 837 projects funding of which 717 are underway and 79 complete.

The UK Shared Prosperity Fund delivery model is substantively different. LAs have discretion to initiate and cancel projects: as such the government does not monitor project data in the same way.

1.7 As the National Audit Office (NAO) report recognised, wider economic factors have caused delays to projects. The department is working closely with LAs to support sure up delivery as set out in section 2.

2. PAC conclusion: We are concerned the Department did not do enough to understand the readiness of project proposals and the challenges facing local authorities before it awarded funds.

2. PAC recommendation: In its Treasury Minute response, the Department should set out what it has learnt to ensure proposals have the best chance of timely success, and how it will ensure this learning is applied to future funds. It should also set out how it is sharing its experiences with the Levelling Up programme both

within the Department and across government to reduce the risk of similar mistakes being repeated in other programmes and projects.

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

Recommendation implemented

2.2 On Levelling Up Fund, the government prioritised proposals from places that were confident of getting started quickly so that local people could experience the benefits as soon as possible. On the Towns Fund, places had longer to prepare. However, in both cases the department sought robust delivery plans from places as a condition of payment.

2.3 The NAO report recognised that wider economic factors have caused delays to projects. The department has implemented several programme-wide measures to support local authorities with managing changing project costs. This included providing greater flexibility through a project adjustment request (PAR) process; funding to improve capacity and capability; and reducing complexity to simplify the funding landscape. These commitments are set out in the Funding Simplification Doctrine.

2.4 The department has reflected on lessons learned through the simplification pathfinder pilot and stakeholder feedback regarding the burden on local authorities. It is moving to a funding system which has a simpler and more streamlined landscape, increased flexibility for local authorities and partners and longer-term funding settlements.

2.5 The department is putting this plan into action. For example, it has taken a new approach to the third round of the Levelling Up Fund, moving away from competition and making use of the large number of high-quality bids submitted in Round 2. This reduces burdens and maximises efficiency.

2.6 The UK Shared Prosperity Fund provides local authorities more flexibility with a three-year allocation that they can spend on local priorities or projects. Its mix of revenue and capital funding can be used to support a wide range of interventions to build pride in place and improve life chances. These can complement capital projects as well as existing business or employment and skills provision.

2.7 Acting on lessons learned, the department has offered greater flexibility and certainty through the 10-year, endowment-style Long-Term Plan for Towns.

2.8 The department creates regular opportunities to share learning with and between its partners, including the annual 'Towns conference' and seminars on specialist topics led by expert delivery partners. Further information about Delivery Associates can be found at 5.2.

3. PAC conclusion: The Department changed the rules for applying for the Levelling Up Fund during the application process, wasting scarce public resources, disadvantaging some local authorities and hindering transparency. The Levelling Up programme was sub-optimal in this respect and it is important that lessons are learnt.

3a. PAC recommendation: In its Treasury Minute response the Department should set out the principles it will apply and the decision-making process for awarding future Levelling Up funds for reducing regional inequality.

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

Recommendation implemented

3.2 The Funding Simplification Doctrine that came into force at the start of 2024 covers all new funding to local government and consists of four principles:

- departments should consider whether creating a new fund is necessary or whether funding could instead be channelled through existing structures;
- departments should consider their choice of distribution methodology and consider allocating funding, as opposed to defaulting to competition;
- the delivery model of a new fund should be tested with local authorities, the Local Government Association, or equivalent bodies in Scotland, Wales, and Northern Ireland.
- departments should demonstrate that they have minimised the data and reporting burden created by the new fund, whilst not compromising the evidence they collect to monitor value for money.

3.3 The department has incorporated the Doctrine into its policy design and decision-making process and has shifted away from a competition by default approach.

3b. PAC recommendation: The Department should carefully construct the criteria for all funding programmes before launching them—setting out any flexibilities and possible alternative options (and the circumstances in which these would be triggered) at the outset—and must not change the rules once they are published barring exceptional circumstances. We would trust that the rest of government also heeds this advice.

3.4 The government disagrees with the Committee's recommendation.

3.5 Decisions around the rules of future programmes are a matter for Ministers at the time.

4. PAC conclusion: We welcome the intentions to simplify the funding system, but the Department has more to do to implement its plans.

4. PAC recommendation: In its Treasury Minute response, the Department should update us on the progress with simplification including its work with other government departments and progress with the ten simplification pilots. In the future, it should update the Committee by letter once every six months of further developments in this regard, along with the costs and benefits (both to the Department and local authorities) arising from greater simplification.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: April 2025

4.2 Since publishing the Funding Simplification Plan, all ten pathfinder pilots have been agreed and Funding Simplification Doctrine published. An interim evaluation of the pilot will be available before the end of the year, with a full evaluation published in 2026.

4.3 The Funding Simplification Doctrine came into force earlier in 2024. Prior to this, the department had intensive engagement with other departments that regularly award funding to local authorities, notably the Department for Energy Security and Net Zero, Department for Transport, and the Department for Environment, Food & Rural Affairs.

4.4 Officials from across government have engaged actively with the development and implementation of the Doctrine.

4.5 DLUHC will use the returns from departments alongside feedback from participating teams to monitor its implementation and impact. The department continues to improve its current suite of funds, for example speeding up decision making required for a Project

Adjustment Request through allowing S151 Officers (local authority Chief Financial Officers) to verify that projects remain good value for money, rather than requiring checks by analysts in the department.

4.6 The department has not sought to quantify the costs and benefits to government or to local authorities that arise from these measures. Doing so would establish a disproportionate burden on councils and arguably fall foul of the principles set out above. The department will publish the evaluation reports for the pathfinder pilot when available.

5. PAC conclusion: The Department is providing focused support to some local authorities with project delivery, but it remains to be seen how the Department will use any learning from these activities to support all local authorities.

5. PAC recommendation: The Department should set out in its Treasury Minute response the lessons it is learning from its local support work and how it will disseminate the lessons to all local authorities.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2025

5.2 The Delivery Associate Network, which was launched in January 2024, provides local authorities in receipt of Levelling Up funds with access to a network of delivery experts with the skills and experience to support in the delivery of DLUHC-funded projects.

5.3 At present, the Delivery Associate Network works with local authorities and wider delivery partners to identify delivery issues and provide expert advice on effective solutions.

5.4 Along with these targeted interventions, the Delivery Associate Network also offers broader, topic-based support, including group learning sessions, webinars, newsletters and a 'Knowledge Hub' website, available for all local authorities to access.

5.5 These interventions are already shoring up delivery of individual projects. For example, delivery experts have unblocked a project finance issue for a direct grant recipient in Northern Ireland, resulting in the department flexing its approach to payments to ensure the recipient could get the best deal from contractors.

5.6 The department will use lessons learned from the overall support offer, from its programme evaluations and from general engagement with local authorities to inform the design of future capacity and capability support.

6. PAC conclusion: We recognise the Department's plans to evaluate these funds in the short-term, but we are concerned it has no long-term plans to measure the impacts.

6. PAC recommendation: In its Treasury Minute response, the Department should:

- ***update us on its progress with evaluation and provide us with regular updates thereafter; and***
- ***update us on how it will ensure it has the right data and how it will carry out evaluation over the long-term to assess whether the investments have led to sustained improvement.***

6.1 The government agrees with the Committee's recommendation.

Target implementation date: December 2025

6.2 The government believes it does have plans to measure the long-term impact. The plans are clearly and transparently set out in the public domain. Indeed, the recent NAO report recognised the significant improvement the department has made in evaluating local growth programmes with evaluation strategies now published for key evaluations.

6.3 The department has published feasibility and scoping studies for the UK Shared Prosperity Fund, Levelling Up Fund, Towns Fund, Local Growth Fund alongside a local growth evaluation strategy. These can be accessed on the DLUHC local growth evaluation homepage.

6.4 There are specific challenges in evaluating the impact of local growth programmes. These include the difficulty of identifying meaningful comparator places and attributing impacts to specific interventions where places may receive multiple or overlapping funding streams.

6.5 The department is combatting these challenges. The published feasibility and scoping studies set out plans for evaluation including data requirements to ensure the department has the right data to support planned evaluation activity. In some situations, this involves building robust spatial data such as through the local authority level boost to the Department for Culture, Media and Sport’s Community Life Survey (England), to provide estimates of Pride in Place at the local authority level.

6.6 Due to the particular technical challenges in conducting an impact evaluation for local growth programmes, the department commissions external experts to explore the methodologies that can be used to robustly measure the impacts and value for money of these programmes. These reports will be published for transparency.

Twenty-second report of Session 2023-24

Department of Health and Social Care

Reforming adult social care in England

Introduction from the Committee

Adult social care includes social work, personal care and practical support for adults with a physical disability, a learning disability, or physical or mental illness, as well as support for their carers. Family or friends provide most care unpaid. The Department of Health and Social Care (the Department) is responsible for setting national policy and the legal framework. The Department for Levelling Up, Housing and Communities (DLUHC) oversees the distribution of funding to local government and the financial framework within which local authorities operate. The Care Quality Commission (CQC) regulates registered care providers for quality, and since April 2023 has responsibility for assessing how well local authorities are meeting their duties under the Care Act. State funded care is funded by local authorities, who coordinate with local health systems through Integrated Care Systems (ICSs). In 2022–23, local authorities supported more than one million people with care needs, at a cost of £23.7 billion. As at Autumn 2023, there were 470,476 people awaiting an assessment of their needs, care or direct payments to begin or for a review of their care plan. Most local authority care is commissioned from nearly 18,000 independent providers, who also provide care to people who arrange and pay for their care privately, as local authority support is means-tested. The sector employs around 1.6 million people and as at March 2023 there were 152,000 vacancies (9.9% vacancy rate), with the number of jobs in care expected to increase in future years.

In 2021, the Department published a white paper setting out a 10-year vision for adult social care. Government committed £5.4 billion funding to reform the sector including £3.6 billion to introduce changes to the way people pay for care (charging reform) and £1.7 billion for wider reform to the system (system reform). In 2022 the Department reprioritised some of this funding to help ease immediate pressures, including delaying charging reform by two years to October 2025. In April 2023, government published revised plans for system reform, which scaled back its short-term plans to £729 million over the period 2022-23 to 2024-25.

Based on a report by the National Audit Office, the Committee took evidence on Wednesday 24 January 2024 from the Department for Health and Social Care and the Department for Levelling Up, Housing and Communities. The Committee published its report on 20th March 2024. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Reforming adult social care in England – Session 2023-24 (HC 184)
- PAC report: Reforming adult social care in England – Session 2023-24 (HC 427)

Government response to the Committee

1. PAC conclusion: It is far from clear if Integrated Care Systems are making a demonstratable difference to adult social care delivery.

1. PAC recommendation: In its Treasury Minute response, the Department should set out what is doing to:

- ***bring together its performance and inspection data relating to adult social care (from Integrated Care Systems and other sources); and***

- ***ensure that these data are accessible, publicly available and enable people to i) assess whether patients are getting better outcomes in their areas and ii) allow the public to make comparisons between different areas***

1.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2024

1.2 In Integrated Care Systems (ICSs), the National Health Service (NHS), local government, social care providers and other organisations work together to provide joined-up care and improved outcomes.

1.3 Through new Care Quality Commission (CQC) assurance of ICSs and local authorities (LAs), CQC will draw on data and evidence to independently assess how well ICS partners are meeting the health and adult social care needs of their populations, and how well LAs are delivering their duties under Part 1 of the Care Act 2014. These assessments will be published and will enable the public to better understand and compare people's outcomes in different areas.

1.4 More broadly, the Department of Health and Social Care (the department) is improving the quality, timeliness and availability of adult social care data as outlined in its data strategy, Care Data Matters. Among other things, this includes the publication of better outcomes data, through a new social care person-level data collection, and a strengthened adult social care outcomes framework.

2. PAC conclusion: We remain unconvinced as to whether the Department knows if it is achieving value for money from the additional funding going to adult social care.

2. PAC recommendation: The Department should write to the Committee alongside its Treasury Minute response to set out how it is assuring itself that each additional fund aimed at supporting adult social care is achieving value for money, including on benefits in relation to costs, for example:

- ***how much additional capacity it has bought with the discharge funding through the Better Care Fund.***
- ***how it will ascertain whether funding for market sustainability and improvement has not just ended up increasing provider profit margins.***

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 Since Spending Review 2021, the government has made available up to £8.6 billion in additional funding over 2023-24 and 2024-25 for adult social care and discharge. This funding has directly supported an 8.9% average increase in fee rates paid to providers in 2023-24 (which is greater than inflationary pressures), and a 10% increase in the number of supported discharges for patients assessed as no longer meeting the criteria to reside from February 2023 to February 2024. As the most recent State of Care Report shows, data from the CQC Market Oversight scheme indicates that provider profit margins are generally low on average, and we continue to engage CQC to understand whether funding uplifts result in any change in margins.

2.3 The department is undertaking significant assurance of new grant funding, requiring local authorities to report on performance against priorities, and requiring local authorities and ICBs to submit detailed spending plans for their discharge funding for 2023-24 and 2024-25.

2.4 The department works alongside the Department for Levelling Up, Housing and Communities to provide scrutiny and assurance of funding, as well as ensuring transparency to support local accountability. This includes the recent introduction of the Office for Local Government, assurance by the CQC, and reforms to the collection and availability of data on social care activity.

3. PAC conclusion: Local authorities are having to plan and commission adult social care services against a backdrop of fragmented and uncertain funding.

3. PAC recommendation: Given it has a 10-year vision for reforming adult social care, in its Treasury Minute response, the Department should set out:

- ***what it is doing now to prepare for the next spending review and make the case for more stable funding, and***
- ***what it can do to give local authorities greater certainty over funding and allow them to plan for the longer term.***

3.1 The government agrees with the Committee's recommendation.

Recommendation implemented

3.2 The department is making good progress towards the 10-year vision for adult social care set out in the People at the Heart of Care white paper. The department is learning from the first phase of reform, to inform plans for the next spending review period and beyond. The department is also monitoring the impact of the additional funding provided in this spending review period, with a total of up to £8.6 billion made available across two financial years. This is alongside reforms to local government accountability and data transparency, that will shed further light on local performance, all of which will inform the department's spending review preparations.

3.3 The department recognises the value of providing longer term certainty of funding to local authorities. The 2021 Spending Review set out funding for local government for three years, providing the same level of certainty as for government departments. The government will always seek to provide as much certainty as possible for local authorities when providing funding for delivering services, whilst maintaining flexibility to respond to unexpected pressures.

3.4 The department will work with HM Treasury and the Department for Levelling Up, Housing and Communities to make sure the next spending review delivers a sustainable funding package for Adult Social Care.

4. PAC conclusion: Notwithstanding its recent efforts to make adult social care a more attractive career, the Department has still not produced a convincing plan to address the chronic staff shortages in the long-term.

4. PAC recommendation: In the absence of an NHS style workforce plan, alongside its Treasury Minute response, the Department should write to the Committee setting out how it will lead the sector to identify and address workforce challenges including:

- ***achieving a sustained reduction in the number of vacancies in the sector (beyond 2025)***
- ***addressing the challenges and risk associated with international recruitment***
- ***tackling local variations in vacancy rates***
- ***addressing issues around disparity with NHS pay***

- ***assessing which workforce initiatives are most effective for recruiting and retaining staff.***

4.1 The government agrees with the Committee's recommendation.

Recommendation implemented

4.2 In 2021, the department published its workforce strategy in Chapter 5 of People at the Heart of Care: adult social care reform and in 2023 published the subsequent plan Next Steps to put People at the Heart of Care.

4.3 The overall vacancy rate in ASC was 9.9% in 2022-23, a decrease of 11,000 vacancies (-0.7 percentage points) compared to 2021-22. Skills for Care indicative monthly data (unweighted data) for independent providers shows since then the vacancy rate has fallen to 8.1% in February 2024. The department is investing in recruitment and retention through a number of reforms aimed at professionalisation including significant investment in workforce training and through the Market Sustainability and Improvement Fund, which includes a focus on workforce pay.

4.4 Alongside implementing wider changes to the immigration system, the department has clear ethical standards laid out in the Code of Practice for International Recruitment, which covers both health and care sectors. The department has invested £15 million in 2023-24 to support local initiatives to increase and improve international recruitment in the adult social care sector.

5. PAC conclusion: Long-awaited workforce reforms are way behind schedule and too dependent on a 'novel' payment system

5. PAC recommendation: The Department should in its Treasury Minute response to this report:

- ***confirm which of the workforce reform projects depend on this payments system and update us on progress with each; and***
- ***update the Committee on progress with the payments system (including any updates to the RAG rating and implementation date) and when it expects the workforce initiatives that depend on it to start to have an impact.***

5.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2024

5.2 The department would like noted that not all workforce reform projects are associated with this payment system and work to deliver reforms has progressed ahead of the payment system being available.

5.3 The department is planning to provide updates on progress of the payments system and the workforce reform projects associated with it.

5.4 The department recently published guidance setting out the scope and eligibility criteria for training and development for which employers will be able to apply for funding support. This has provided employers with information to support their workforce training plans ahead of the payment system going live.

5.5 The payment system is on track to start making payments from the end of June 2024 with a phased approach to bringing specific funds online, ensuring that the largest proportion of allocated funding for the sector is made available first. From June 2024 employers will be invited to submit claims for the new Level 2 Adult Social Care Certificate qualification, and against a targeted list of training courses and other qualifications set out in the guidance. Support for Continuing Professional Development specifically for regulated professionals such as nurses and occupational therapists will follow.

5.6 The department will update the Committee on Fund take-up before the end of the 2024-25 financial year.

6. PAC conclusion: The Department faces significant challenges in delivering its 'vision' for adult social care reform, and Parliament and the sector must be able to hold it to account for its progress.

6. PAC recommendation: The Department should set out a roadmap for delivering its vision, pulling together all its reform activity (system reform and charging reform), and the risks to delivery with key performance indicators and should publish six-monthly updates on progress to time and budget.

6.1 The government disagrees with the Committee's recommendation.

6.2 The department welcomes further opportunities to set out its plans to deliver its vision for adult social care reform and to be held to account for progress against it but cannot currently commit to the approach recommended. In addition to the published 10-year vision, set out in the white paper People at the Heart of Care in December 2021, a further update on reform activity was detailed in Next Steps to Put People at the Heart of Care published in April 2023.

6.3 The department has been clear that plans are subject to future spending reviews and fiscal events. Future reform activity will be informed by lessons learned during the current spending review period. The department will set out details of the next phase of reform following the next spending review.

6.4 The department will consider the value of publishing regular progress reports and will report to the Committee as per normal processes on the remainder of these recommendations.

Twenty-third report of Session 2023-24

Cabinet Office

Civil Service workforce: Recruitment, pay and performance management

Introduction from the Committee

There were 519,780 civil servants employed across the UK in March 2023. Departments are responsible for recruiting staff at grades below senior civil service (SCS) level, and for setting their pay and performance management arrangements. This creates challenges for efforts to tackle system-wide civil service workforce issues, such as speeding up recruitment or reducing the level of underperformance in the civil service, because these typically require concerted action to be taken across all departments.

The Cabinet Office has broad oversight of the civil service workforce as a whole and supports departments to manage workforce issues effectively. The Cabinet Office has set out its vision for the civil service in its Civil Service People Plan for 2024 to 2027. The People Plan aims to set a clear direction for the civil service over the next three years, focusing on five people priorities: learning, skills and capability; pay and reward; employee experience; recruitment, retention and talent; and a high-performing HR function.

Based on a report by the National Audit Office, the Committee took evidence on Monday 5 February 2024 from the Cabinet Office, Ministry of Justice and HM Revenue and Customs. The Committee published its report on Friday 22 March 2024. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Civil Service workforce: Recruitment, pay and performance management – Session 2023-24 (HC 192)
- PAC report: Civil service workforce: Recruitment, pay and performance management – Session 2023-24 (HC 452)

Government response to the Committee

1. PAC conclusion: The Civil Service People Plan has ambitious aims, but it is vague on what specific actions will be taken and how success will be judged.

1. PAC recommendation: Before the first of its annual progress reports on the Civil Service People Plan, the Cabinet Office should publish more detailed explanations of the commitments in the Plan, including how they will be delivered in practice, target or expected levels of performance, and criteria against which success will be judged.

1.1 The government disagrees with the Committee's recommendation.

1.2 The Civil Service People Plan 2024-2027 outlines the specific actions that will be taken, the 45 commitments that will be delivered, and timescales for delivery. It identifies a set of metrics that will be tracked to measure the Plan's overall impact.

1.3 An evaluation strategy is in development, which will measure the combined impact of the commitments for each priority area. Further detailed information is publicly available on the key commitments, for example the Places For Growth Programme, Civil Service Diversity & Inclusion Strategy and Shared Services Strategy for Government.

1.4 Formal governance is in place, which includes quarterly progress reporting to the Civil Service People Board (commencing in April 2024) and the Cabinet Secretary. A new People Data Dashboard has been implemented to monitor progress and respond to emerging priorities.

2. PAC conclusion: The time taken to recruit staff across the civil service is too slow.

2. PAC recommendation: By the time of its Treasury Minute response, the Cabinet Office should require all departments to report data on recruitment times to it on a consistent and regular basis. It should use this information, along with data from external comparators, to establish benchmarks for recruitment times within the civil service.

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 Consistent and comparable Civil Service recruitment measures have been implemented across the Whitehall 17 departments. These metrics are time to hire, time to fill, diversity of candidate, cost per hire, vacancy holder experience and candidate experience. The first data set became available during April 2024 and on a quarterly basis thereafter.

2.3 Time to hire represents the time between the advertisement closing date and the date that the successful candidate is offered the post. This represents a candidate's perspective of the selection process and provides the basis for reliable and fair external benchmarking closely aligned to researched industry interpretation of this measurement.

2.4 Departments will also monitor the total time to fill a post. This extends beyond the time to hire to also measure time taken for any internal approvals processes that departments operate in order for a recruitment to commence and runs through to the arrival of the individual in post, taking account of pre-employment checks and security clearance.

2.5 These metrics will enable effective benchmarking between departments, as well as external comparators, to drive improvements using a single standard. Once the new metrics are fully embedded, the Cabinet Office will introduce a set of recruitment standards, which will drive further consistency and improvements across Civil Service recruitment.

3. PAC conclusion: Most departments do not know how much it costs to recruit staff, or how they could be more efficient.

3a. PAC recommendation: By the end of 2024, the Cabinet Office should define a common cost per hire measure that includes the cost of all staff time spent on recruitment, and require all departments to report to it regularly on their full cost per hire.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: November 2024

3.2 The Cabinet Office has implemented a set of consistent and comparable Civil Service recruitment measures for the 17 Whitehall departments, one of which is cost per hire.

3.3 The cost per hire metric asks departments to take account of internal costs (time and resource) and external costs (systems and outsourcing), divided by the number of appointments in the reporting period. As well as taking account of the number of successful appointments made in the reporting period, departments are asked to monitor the number of failed campaigns that did not result in an appointment to provide insight into the volume of recruitment activity that does not yield a return on investment.

3.4 Initially, cost per hire reporting will also require departments to provide a narrative context as to the costs factored into the calculation to ensure benchmarking can be made to a comparable standard.

3.5 The consistency of the cost per hire measurement will be evaluated and the Cabinet Office will define an approach that ensures equal effort and quality of reporting across departments from November 2024.

3b. PAC recommendation: The Cabinet Office should, within six months, share examples of efficient recruitment from within the civil service and external organisations, to encourage departments to identify improvements to their own recruitment processes.

3.6 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2024

3.7 Six months from the date of the report is insufficient to ensure that full quality research is provided to drive the required improvements. An additional three months (maximum) is needed to complete the recommendation.

3.8 The Cabinet Office will set benchmarks and identify areas of best practice across the recruitment process through the analysis of the recruitment metrics data and researching recruitment practice with external organisations. This will support and encourage departments to identify and make improvements in their own recruitment practice.

3.9 As the metrics are reported on and best practice is identified, the Cabinet Office will define a set of recruitment standards to set expectations of how recruitment should be enacted in the Civil Service, to encourage improvements and ensure recruitment is carried out to the highest standard.

3.10 The Cabinet Office has initiated several 'discovery pilots' to test different approaches to Civil Service recruitment. Having different departments, functions and professions testing new approaches will support the development of a more effective recruitment system, with an ambition to reduce time to hire and improve recruitment outcomes.

4. PAC conclusion: Chronic pay issues within the civil service have lowered morale and risk departments not being able to recruit and retain skilled staff.

4. PAC recommendation: In its forthcoming civil service pay and reward strategy, the Cabinet Office should clearly set out the specific actions it will take to address longstanding issues such as declining real-terms pay; variation between roles paid at the same grade; and disparities in pay between departments, including disparities in the use of performance-related pay and the risk of indirect discrimination.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: Winter 2024

4.2 As set out in the Civil Service People Plan 2024-27, a new Civil Service Reward Strategy is under development. This will outline the steps the government will take to set out a vision of a more coherent, flexible, and individualised reward framework by 2030 that will enable departments to reward excellence in public service delivery, recognise capability in role, enhance productivity and inspire the acquisition of the skills and capabilities needed to support the current, and future, priorities of government.

4.3 Alongside a revised pay framework, which will be achieved through the delivery of an employment offer to ensure that the Civil Service continues to provide a modern and competitive package that is well articulated and accessible, exploring how to provide greater clarity and understanding of the pension offer, so that it is recognised for its true value and meets the needs of an evolving workforce, is also key to attracting and retaining talent.

4.4 The government recognises that under the current delegated model, departments maintain control of their own individual pay systems within the cost parameters set out in the Civil Service Pay Remit Guidance, which limits what can be directed by the Cabinet Office.

5. PAC conclusion: Departments do not collect enough data on staff under performance to know if it is being managed effectively.

5. PAC recommendation: By the time of its Treasury Minute response, the Cabinet Office should mandate all departments to collect data on the number of underperforming staff, how underperformance is being managed, and the outcomes for underperforming individuals.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2024

5.2 Managing under and poor performance below the Senior Civil Service (SCS) is delegated to departments. The Civil Service Performance Management Framework provides a blueprint for departments to develop policies and processes for managing employee performance.

5.3 It includes eight elements:

- leaders are accountable for effective performance management in their department;
- assessing delivery of employee work objectives and their behaviours;
- developing and coaching employees to perform effectively;
- differentiating performance;
- ensuring that underperformance and poor performance is monitored and addressed;
- capturing diversity and inclusion data, to ensure there are no negative impacts of the systems on protected groups;
- ensuring that comparable professional standards are applied across organisations; and
- there is coordination and consistency between departments' processes.

5.4 To better understand the extent of underperformance and poor performance, and how it is being managed, the Cabinet Office is designing a tool to collate performance management data for 2023-24, and thereafter, for analysis centrally. The tool will be ready in Summer 2024. The Cabinet Office will work with departments to maximise the use of pre-existing policy tools to address poor performance, or design new ones, if necessary.

5.5 For the SCS, the performance and poor performance policies are set centrally, to be managed and implemented by departments. The Cabinet Office is reviewing how many departments record the number of underperforming SCS, and resulting actions, and will consider whether further guidance on collecting this data, or additional reporting requirements, should be included in the policies for the next performance year.

Twenty-fourth report of Session 2023-24

Department of Health and Social Care

NHS Supply Chain and efficiencies in procurement

Introduction from the Committee

The NHS collectively spends approximately £8 billion annually on buying medical equipment and consumables, from gloves and paper to stents and prosthetic hips. The Department of Health & Social Care (the Department) created NHS Supply Chain in 2018 in response to a report by Lord Carter which found greater scope for efficiencies in the NHS by aggregating its spending power and reducing the variation in prices that trusts pay for the same goods.

NHS Supply Chain is responsible for procuring products, warehousing, and delivering consumables and medical equipment on behalf of the NHS. It became fully operational in April 2019, under the ownership of the Secretary of State for Health and Social Care. Its key objectives were, by 2023–24, to deliver £2.4 billion of savings and have 80% of relevant NHS spending on medical equipment and consumables (known as 'market share') go through NHS Supply Chain. It has a catalogue of more than 600,000 products and its annual operating budget for 2023–24 was £240 million. Since 2021, NHS Supply Chain has been owned by NHSE.

Based on a report by the National Audit Office, the Committee took evidence on 7 February 2024 from the Department of Health and Social Care, NHS England and NHS Supply Chain. The Committee published its report on 27 March 2024. This is the government's response to the Committee's report.

Relevant reports

- NAO report: NHS Supply Chain and efficiencies in procurement – Session 2022-23 (HC 390)
- PAC report: NHS Supply Chain and efficiencies in procurement – Session 2023-24 (HC453)

Government response to the Committee

1. PAC conclusion: NHS Supply Chain has failed to persuade trusts to use it, meaning trusts are missing out on opportunities for savings.

1. PAC recommendation: NHS Supply Chain should set out how, and by when, it will get the NHS to use NHS Supply Chain for the original goal of 80% of its spending on consumables and medical equipment.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: Winter 2024

1.2 The business case for NHS Supply Chain's modernisation programme will set out how and by when the conditions for the achievement of the original 80% goal will be in place. NHS Supply Chain expects to submit a programme business case to NHS England (NHSE) by Winter 2024. While NHSE cannot mandate the use of NHS Supply Chain (NHS SC), the modernisation programme, if delivered in full, will unlock the potential for the 80% target to be met.

1.3 The NHS SC business plan for 2024-25 sets out a target to achieve a market share of 65% by year end. It includes improvements to the logistics channels by mid-year, supporting growth in the north, piloting and scaling the new online ordering system alongside the continued engagement with Trusts and ICSs to ensure commercial solutions meet the needs of the NHS.

1.4 NHS SC will continue to update the Committee on details of performance against the plan until completion of the programme.

2. PAC conclusion: NHSE has been weak in its oversight and support of NHS Supply Chain.

2. PAC recommendation: NHSE should set out how it will provide adequate challenge of and support for NHS Supply Chain, particularly regarding NHS Supply Chain's plans to modernise and transform its business.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: Winter 2024

2.2 The subsidiary company model provides NHSE with a proportionate level of oversight. There are a number of ways in which NHSE provides challenge and support to the company to effectively hold it to account and support it to deliver its objectives.

2.3 Importantly, there is an annual process in place through which NHSE critically reviews and works with NHS SC to develop and agree the company's business plan and revenue and capital funding requests for the following year. The company's annual plan and budget are approved by NHSE's Board, which allows for a balanced decision on the appropriate level of funding provided to the company to drive modernisation and transformation weighed against other NHSE priorities.

2.4 NHSE also holds quarterly accountability meetings chaired by the Chief Commercial Officer (CCO). This allows NHSE to track performance against the business plan and remain informed on the transformation and modernisation plans. In addition, NHSE has a shareholder director on the Board of the company who is also a member of the Audit and Remuneration Committee. Attendance at the Board and Committee provides regular opportunity for NHSE to challenge on operational performance (including finance, risk, transformation and pay and reward), provide support, and identify where work within NHSE may be required to support the delivery of the company's objectives. There are a number of other regular points of engagement with the company, including monthly finance and operations meetings, fortnightly meetings between NHSE's Chief Commercial Officer and NHS SC's CEO, and updates to the NHSE Board which take place at least twice per year.

3. PAC conclusion: NHSE does not challenge trusts as to why they do not buy more products through NHS Supply Chain.

3. PAC recommendation: NHSE needs to use procurement data more systematically to challenge trusts to buy more consumables and medical equipment through NHS Supply Chain.

3.1 The government agrees with the Committee's recommendation.

Recommendation implemented

3.2 NHSE already uses procurement data to challenge trusts who are not using NHS SC where NHS SC is the better price, and NHS England also challenge NHS SC to ensure they are delivering the best price for the NHS. The NHS Spend Comparison Service is a tool which takes spend data from Trusts in order to provide insights back to them on the cost of products that they purchase from NHS SC and directly from suppliers, highlighting opportunities where additional efficiencies may be possible.

4. PAC conclusion: The way NHS Supply Chain has calculated and reported its savings has caused confusion and mistrust.

4. PAC recommendation: A year after implementing the new savings method, NHSE should assess whether trusts accept the savings that NHS Supply Chain reports. The new method for calculating savings should be used in all cases to ensure consistency.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2025

4.2 Implementation of the value and savings methodology from April 2024 is across the NHS including NHS Supply Chain. NHSE will review the compliance and effectiveness of this methodology after the first year. As part of the budget monitoring process, NHS organisations report on procurement savings including NHS SC. This information is shared with NHSE Commercial.

5. PAC conclusion: It will be several years before the NHS sees the benefits from NHS Supply Chain's efforts to improve its business.

5. PAC recommendation: Alongside its Treasury Minute response, NHS Supply Chain should provide a clear and realistic road map setting out the timetable for transformation and modernisation and when benefits will materialise. In carrying out this exercise NHS Supply Chain should also examine whether the eight-year timetable should be reduced.

5.1 The government agrees with Committee's recommendation.

Target implementation date: Winter 2024

5.2 NHS SC has been developing a variety of inputs required to deliver the modernisation programme. These will be brought together for submission of the business case by winter 2024. This submission will consider the overall timetable and include a programme for the recommended approach including a benefits realisation plan.

5.3 Key activities that will enable the implementation of the business case include:

- agreement of the annual business plan for 2024-25 by NHS England in May 2024
- the Department's approval of a professional services business case
- development and submission of the business case by NHS SC by Winter 2024
- approval to proceed with the recommended option by NHS England, DHSC and HMT
- delivery of the plan by NHS SC (subject to business case approvals)

5.4 NHSE's approval of NHS SC's annual business plan and funding is inextricably linked to its own funding settlement being confirmed by government. NHS funding for the 2024-25 financial year was confirmed at the Spring Budget published in March 2024. NHS funding beyond 2024-25 will be agreed as part of the next 2024 Spending Review.

6. PAC conclusion: NHSE and NHS Supply Chain have not convinced clinicians that they value the quality of products above price.

6. PAC recommendation: NHSE and NHS Supply Chain should set out how they will involve clinicians in purchasing choices to ensure that better patient care is considered alongside value and cost.

6.1 The government agrees with the Committee’s recommendation.

Recommendation implemented

6.2 NHS SC engages clinicians in all sourcing decisions. Lead trusts are used to ensure the voice of the clinical workforce is at the forefront of understanding needs that should be fulfilled by commercial activity.

6.3 To create the opportunity to enhance the voice of the clinical teams in future decision making, NHS SC will re-design the Commercial Service Proposition by November 2024 and be clearer in the opportunities for representative clinical groups to engage in future commercial activity. This work is being led by the newly appointed Clinical Executive Director of NHS SC.

6.4 NHS SC will continue to work with NHS Trusts to identify when they will implement the current schedule of Value Based Procurement initiatives and continue to focus selection criteria for supplies across the broad range of value drivers in the NHS (including sustainability, patient outcome and clinical efficiency alongside unit cost).

6.5 These steps will help reduce the current catalogue of around 600,000 individual items where the intention is to ensure that any product that an individual clinician might want is available for them to purchase to one where there is a smaller list of products based on clinical input and best practice.

6.6 NHS England will provide clinical support to NHS SC where necessary to support the delivery of the savings programmes.

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: 178
Recommendations agreed: 164 (92%)
Recommendations disagreed: 14

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
May 2024	Government response to PAC reports 19-24	CP 1085

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

[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
November 2021	Government response to PAC reports 7,13-16 (and TM2 BBC)	CP 550
December 2021	Government response to PAC reports 12, 17-21	CP 583
January 2022	Government response to PAC reports 22-26	CP 603
February 2022	Government response to PAC reports 27-31	CP 631
April 2022	Government response to PAC reports 32-35	CP 649
April 2022	Government response to PAC reports 36-42	CP 667
July 2022	Government response to PAC reports 49-52	CP 722

Session 2019-21

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

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

Publication Date	PAC Reports	Ref Number
January 2019	Government responses to PAC reports 64-68	CP 18
March 2019	Government responses to PAC reports 69-71	CP 56
April 2019	Government responses to PAC reports 72-77	CP 79
May 2019	Government responses to PAC reports 78-81 and 83-85	CP 97
June 2019	Government responses to PAC reports 82, 86-92	CP 113
July 2019	Government responses to PAC reports 93-94 and 96-98	CP 151
October 2019	Government responses to PAC reports 95, 99-111	CP 176
January 2020	Government response to PAC reports 112-119 [1 and 2]	CP 210

Session 2016-17

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

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

Session 2015-16

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

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

Treasury Minutes Progress Reports Archive

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

Publication Date	PAC Reports	Ref Number
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

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