



HM TREASURY

# TREASURY MINUTES

Government responses on the Sixty Eighth, the Seventieth, the Seventy Second and the Seventy Fourth Reports from the Committee of Public Accounts: Session 2010-12.



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## Treasury Minutes on the Sixty Eighth, the Seventieth, the Seventy Second and the Seventy Fourth Reports from the Committee of Public Accounts: Session 2010-12

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Presented to Parliament by the Economic Secretary to the Treasury by  
Command of Her Majesty

April 2012

Cm 8347

£8.75

TREASURY MINUTES DATED 30 APRIL 2012 ON THE SIXTY EIGHTH, THE SEVENTIETH, THE SEVENTY SECOND AND THE SEVENTY FOURTH REPORTS FROM THE COMMITTEE OF PUBLIC ACCOUNTS: SESSION 2010-12

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ISBN: 9780101834728

Printed in the UK by The Stationery Office Limited  
on behalf of the Controller of Her Majesty's Stationery Office

ID P002488714 04/12 20263 19585

Printed on paper containing 75% recycled fibre content minimum.

# Sixty Eighth Report

## Ministry of Defence (MOD)

### Major Projects Report 2011

#### Report Summary from the Committee

The Ministry of Defence (the Department) continues to struggle with managing its equipment programme on an affordable basis, resulting in the cancellation or deferral of major projects and a damaging impact on value for money.

In 2010-11 the forecast costs to complete the 15 largest defence projects increased by £466 million. Since their original approvals the estimated costs of these 15 projects have increased by £6.1 billion and now stand at approximately £60 billion (an 11.4% increase). In aggregate these 15 projects are forecast to be completed 322 months later than originally planned.

The Committee acknowledge that on more recently approved projects there have generally been lower cost increases and fewer technical problems. Projects approved since 2002 show significantly lower cost growth than those approved before this date. In particular, the Committee is encouraged by the recent improvements in reducing cost increases arising from project-specific technical issues. Technical issues have not led to increased costs on projects since 2008.

Having allowed its equipment programme to become unaffordable the Department faces unpalatable decisions. Decisions to cancel or slow projects and to reduce equipment numbers have added significant long-term costs to the whole defence programme and to unit costs within the programme. Capability has been affected and this has all resulted in poor value for money. The Department has made a number of decisions to save cash in the short term without a full understanding of long-term costs and the knock-on effect of increased costs in other areas of the defence budget.

Large defence equipment projects have contributed disproportionately to overall cost growth. In the past, the Department has repeatedly failed to challenge unrealistically low estimates for the largest and most complex equipment projects from suppliers. The Astute submarines have been delayed, leading to increased costs of £1.9 billion. Due to repeated delays, cancelling the Nimrod at this late stage has resulted in £3.4 billion being wasted with no new capability being added. In the case of the Queen Elizabeth aircraft carriers the forecast cost has so far risen by £2.8 billion since they were first approved in 2008. The taxpayer has had to pick up the bill when decisions on these projects were taken.

While the Committee welcome the trajectory of improvement, the Department is still unable to set out openly the extent of the gap between income and expenditure it still faces, and how and by when any shortfall will be resolved. The Committee is concerned that the assumptions the Department is making about its budget in the future may prove unrealistic. Financial contingency planning by the Department to model the impact of further budget reductions may therefore be needed.

Last year the Committee concluded that the turnover of the Senior Responsible Owners (SROs), who oversee individual projects, was often too great and recommended that SROs remain in post and responsible during key phases of a project's lifecycle. The Committee is also concerned that some individuals were given the impossible task of being the SRO for too many multi-billion pound projects. The Committee is disappointed that there is little evidence of progress in this area.

On the basis of a Report by the Comptroller and Auditor General, the Committee took evidence from the Ministry of Defence on its progress in delivering its major defence equipment projects.

## Government responses to the Committee's recommendations

### PAC CONCLUSION AND RECOMMENDATION 1

The Committee welcomes the Department's better performance in controlling project-level cost increases, but remain concerned that total costs of the top 15 projects continue to rise for other reasons each year. Projects approved since 2002 have shown significantly lower overall cost growth than those approved before this date and since 2008 there has been no overall cost increase from project-specific technical issues. However, in 2010-11 the forecast costs to complete the 15 largest defence projects still increased by £466 million overall and the Department continues to struggle to live within its means.

*The recommendations that follow are intended to help the Department establish a culture of realism and transparency in the way it manages its equipment programme.*

1.1 The Government welcomes the Committee's report and its findings.

1.2 The Department is pleased that the Committee has recognised the recent improvements in project level cost control. In balancing the budget, the Department recognises that there has been additional cost growth as a result of delaying expenditure. However, of the £466 million cost growth reported this year, £176 million was due to adverse Foreign Exchange movement, and £113 million from increases to capability.

### PAC CONCLUSION AND RECOMMENDATION 2

Decisions to save cash in the short term - deferring spending and reducing equipment numbers - have added significant long-term costs to the defence programme and so represent poor value for money. Taking decisions to save money in the short term invariably lead to greater costs in the longer term. Changing requirements once a contract has been signed usually leads to delay, increased unit costs, and significantly more expense over time. The Department also made decisions to cut programmes, such as the Nimrod aircraft, without a full and complete knowledge of the cost implications. As well as ensuring realistic cost assessments at the start, all requests for new defence equipment should include measures that can be taken to cut costs if budgets have to be reduced later.

*The Department must take account of the long-term cost and capability implications of all the decisions it takes, including the impact on other areas of the defence budget.*

2.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** Summer 2012.

2.2 The Department accepts the need to ensure that cost assessments are realistic and that decisions to defer spending can result in overall increased programme cost. The long term impact of the decisions that the Department makes are taken into account and considered carefully. The Department has consciously adopted a process since April 2011 of avoiding decisions to delay programmes wherever possible. Much progress has also been made in reducing the cost of the forward equipment programme overall through the Strategic Defence and Security Review, the Three Month Exercise and subsequent Planning Rounds.

### **PAC CONCLUSION AND RECOMMENDATION 3**

**Despite the Strategic Defence and Security Review and two subsequent exercises to find more savings, the defence budget only remains 'broadly in balance'. It is unacceptable that the Department still cannot identify the extent of the current gap between resources and expenditure.**

***The Department must urgently publish information on how and by when it will balance this year's budget. The Department has committed to publishing a 10-year Equipment Plan on which the National Audit Office (NAO) will conduct an 'affordability audit'. Although the Department told us it was in discussions with the NAO on the Equipment Plan, it is yet to provide it to the NAO to review. It should do so urgently so that the NAO can assess whether the Department will live within its means.***

3.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** Summer 2012.

3.2 The Department has been working closely with the NAO on the publication of the ten year Equipment Plan, and their view on its affordability. As the Secretary of State recently told Parliament, the Department expects to publish the Equipment Programme and the NAO view following the conclusion of Planning Round 12.

### **PAC CONCLUSION AND RECOMMENDATION 4**

**The Department is basing its current 10-year Equipment Plan on Treasury planning assumptions that are now likely to prove over-optimistic. The Department was told at the time of the Comprehensive Spending Review settlement that it could expect 1% real terms equipment budget increases from 2015. It is planning its budget on this basis, but in the light of current economic conditions that assumption may be unrealistic.**

***To better understand the implications for defence of further budget cuts the Department should work with the Treasury to consider and assess the impact of a range of lower funding assumptions.***

4.1 The Government partially agrees with the Committee's recommendation.

**Target implementation date:** Summer 2012.

4.2 The Department plans on the basis of its Comprehensive Spending Review settlement as agreed with the Treasury. At the time of the Comprehensive Spending Review, the Chief Secretary to the Treasury informed the Department that it should plan on the basis that defence equipment budget spending will be protected in real terms over the next Parliament, to allow the Department to consider the affordability of programmes and projects beyond the Spending Review period. This approach was underpinned by the agreement that the Department could plan on a 1% increase in the equipment, as announced on 18 July 2011.

4.3 Consequently, while the Department recognises the economic uncertainties, this direction remains the best basis for future planning for the equipment programme, although the Department remains in close touch with the Treasury over potential overall future funding scenarios. This close relationship will help ensure that the Department plans prudently for the future, recognising that circumstances may change and that between now and 2020 there will be further Spending and Strategic Defence and Security reviews.

## PAC CONCLUSION AND RECOMMENDATION 5

On very large projects the taxpayer has too often had to pick up the bill when the risk, complexities and therefore costs have been underestimated. Supplier cost estimates for both the Nimrod aircraft and the Astute submarine programmes, approved in the 1990s through open competition, significantly underestimated the risks and complexities involved. These large projects have accounted for most of the cost increases over the past decade. Overall, The Committee accepts that there are some signs of improvement; however the Department will also have to manage a £2.8 billion cost increase on the Queen Elizabeth carriers and given the technical complexities of the new programme these costs could also escalate.

*The Department needs to be much better in managing its contracts by identifying and managing risks. The Department should better understand their contractors' costing assumptions to ensure a sufficiently robust challenge to those assumptions.*

5.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2013.

5.2 The Department recognises there are longstanding problems in acquisition that have led to the underestimation of risk, complexity and cost. As part of reforms introduced over the past year, the Department is building up its cost analysis and assurance capability and is introducing a more rigorous approach to cost estimating at the earliest stages in the project life cycle. The Materiel Strategy is also investigating options for increasing the role of private sector expertise, as this may improve the Department's ability to challenge contractors' costing assumptions.

## PAC CONCLUSION AND RECOMMENDATION 6

The Department has still not properly addressed our previous concerns about the high turnover and multiple responsibilities of Senior Responsible Owners (SROs). The Department has yet to make formal changes to ensure that SROs remain in post during key phases of a project lifecycle. The Committee has heard evidence that some SROs still have responsibility for too many multi-billion pound projects, and are concerned that SROs are not sufficiently empowered or have the necessary authority and status.

*In future, the Committee expects the Department to be able to show that the turnover of SROs has slowed and that it is increasingly rare for an SRO to oversee too many projects.*

6.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2013.

6.2 The Department has refreshed its SRO policy and, following an in depth review of the SRO role in Defence, is committed to ensuring that the issue of SROs authority, span of control and tenure is addressed in line with establishing the new devolved Operating Model under Defence Reform. The Department will develop this new operating model and will consider ways to meet the concerns raised by the Committee. However, for military capability programmes it should be noted that changes brought about under Defence Reform will see further turnover of SRO responsibilities in the short-term.

# Seventieth Report

Department for Education (DFE)

Oversight of special education for 16-25 year olds

## Report Summary from the Committee

In 2009-10, the Department for Education spent around £640 million on special education support for 147,000 students aged 16-25. The system for delivering and funding post-16 special education is complex and devolved, and students may receive post-16 special education support in schools, further education colleges or independent specialist providers, each of which is funded differently. Most young people with special educational needs make their own choice of where to study, while responsibility for provision and for placing around 30,000 students with higher-level needs is devolved to local authorities. The number of young people with special educational needs in post-16 education has grown in recent years, making it all the more important that the Department makes the best possible use of the funding available for these students.

The Committee is concerned that this vital support for young people has not consistently been given the priority it deserves. It is shocking that 30% of young people with a Statement of special educational needs at age 16 are not in education, employment or training at all by the time they are 18. Too many young people with special educational needs are therefore falling through the gaps when they leave compulsory education, with a potential life-long legacy of lost opportunities and costs to the public purse. Students with higher-level needs are placed on the basis of statutory assessments of need; however, witnesses emphasised just how patchy the quality of these assessments can be.

The opportunity for reform presented by the Department's recent Special Educational Needs Green Paper should be used to address our concerns in this important area and to put students at the heart of the system. The Committee welcomes the spirit of the Department's Green Paper, and expect to see both the Committee's findings and those of the National Audit Office report reflected in the Department's strategy.

Gaps in data about performance mean that young people and their families lack easy access to important information to help them decide which provision is best for them. Only one quarter of local authorities provide parents with any information on education providers' outcomes. The Committee heard that the special education system is hard for parents to navigate, with some driven to despair when searching for appropriate support for their child. The Department's Special Educational Needs Green Paper proposes that local authorities "communicate a clear local offer for families to clarify what support is available and from whom." The Committee hopes this proposal will lead to clear policies and statements setting out what support young people are entitled to, backed by the ability to access the right advice and support.

There are three main funding streams for post-16 special education support, and responsibility for these is devolved primarily to the Young People's Learning Agency. Funding to support students in further education colleges and independent specialist providers is given by the Agency directly to the provider. For independent specialist providers, this funding is based on an assessment of individual students' needs. Funding to support students in schools is given by the Agency to local authorities, via the non-ring-fenced 'SEN Block Grant'. The Department does not know how much of this grant is actually spent on post-16 special education, and the large variation across local authorities in average SEN Block Grant per statemented student suggests that the present arrangements result in a postcode lottery for students.

The Department does not have the information it needs to determine whether its policy objectives are being met or value for money is being achieved. Young people with special educational needs cover a wide spectrum of needs and abilities. Students with more complex needs may have highly individual learning aims, and these are not adequately reflected in the Department's current information about performance. The Department needs to know that its funding is getting the best results for all young people, whatever their level of need. It needs to develop better ways of understanding students' outcomes, which reflect individual needs but allow the performance of different providers and local authorities in supporting young people to be properly assessed and compared.

The Department also needs to improve the information available on local authority performance, particularly if it wants to achieve more effective local accountability. The system for delivering special education is highly devolved, yet the information available to local people tells them little about how well their local authority is meeting young people's needs. A standard and transparent dataset, including relevant expenditure and performance data across all local authorities, would enable local authorities to be more accountable to their communities.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence from the Department for Education, the Young People's Learning Agency, the Principal of Abingdon and Witney College, and from representatives of two organisations which provide support and information to young people and professionals about special education - Disability Alliance and *nasen* - on the Department's oversight of special education for 16- to 25-year-olds.

## Government responses to the Committee's recommendations

### PAC CONCLUSION AND RECOMMENDATION 1

**It is deeply troubling that almost one third of young people with a Statement at age 16 are not in any form of education, employment or training two years later. Young people with a Statement of special educational needs are seriously at a disadvantage, being more than twice as likely not to be in education, employment or training at 18 compared to those without a special educational need. Under the Education and Skills Act (2008), the Government will raise the age for compulsory education or training to 17 from 2013, and 18 from 2015. Local authorities are responsible for monitoring participation rates of young people in their area; however, to meet its own objectives the Department needs to do more to focus the attention of local authorities on this particular group.**

***The Department should identify those local authorities where participation rates for students with special educational needs are lagging, and investigate and address the reasons for significant differences in performance.***

1.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2013.

1.2 The Department is clear that all young people – including those who are disabled or who have Special Educational Needs (SEN) – should have the opportunity to participate in education and training from 16-18. The Department set out its plans to achieve this in the cross-government strategy *Building Engagement, Building Futures: Our Strategy to Maximise the Participation of 16-24 Year Olds in Education, Training and Work*<sup>1</sup>. In the Strategy, the Government is committed to expand the existing programme of Raising the Participation Age locally-led delivery projects in 2012-13 so that local areas can develop innovative solutions to raising participation for all young people and share these with other areas through peer-to-peer support.

1.3 Local authorities have clear statutory duties in relation to participation – to secure suitable education and training provision (including for those aged 19-25 who have Learning Difficulty Assessments) and to support all young people aged 16-19 to participate, including providing targeted support to help those who are Not in Education Employment or Training (NEET). Young people who are disabled or have SEN are disproportionately represented in this group.

1.4 The Department already publishes data on participation at a local authority level, but will go further by publishing more of this data more often so that local people can hold services to account. This will include data on vulnerable groups, including those who are disabled or who have SEN. The Department will publish this data by April 2013. *Building Engagement, Building Futures* committed to continuing the 'September Guarantee', through which local authorities ensure that all 16-17 year olds have been offered a suitable place in education or training, helping to target their resources on those without a settled route.

<sup>1</sup> <http://www.education.gov.uk/16to19/participation/a00200853/building-engagement-building-futures>

1.5 Where the Department has clear evidence that a local authority is not fulfilling these statutory duties which cover young people who are disabled or who have SEN, it will take action, contacting the local authority to understand any underlying issues and link them to additional support where possible. Where performance does not improve, the Department will consider a formal improvement notice where that is necessary. The Department will also take forward any legislative changes needed to secure the delivery of the birth to 25 Education, Health and Care Plan (the EHC Plan) proposed in the SEN Green Paper *Support and Aspiration*<sup>2</sup>. This will give young people who are disabled or who have SEN a set of rights and entitlements against which they will be able to hold local authorities to account.

## PAC CONCLUSION AND RECOMMENDATION 2

**The system for delivering and funding post-16 special education is complex, and parents and young people are not provided with the information they need. Parents often do not know where to access information about potential support options. They also do not know how well different schools and colleges might serve their child's needs. As witnesses told the Committee, the problems families face in navigating the system are reflected in the high number of appeals.**

***The Department should ensure that the 'local offers' outlined in the Green Paper give parents clear understanding about the provision young people are entitled to, how it can be accessed, and where they can find information on provider performance.***

2.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** December 2014.

2.2 The Department proposed in its Green Paper *Support and Aspiration* published in March 2011, that local authorities and other services should communicate a clear local offer for families. Responses to that consultation were strongly in favour of this, with 74% of respondents saying that a local offer should:

- make clear what support is available to children and young people who have SEN or who are disabled and their families;
- provide comprehensive information about local services, criteria for accessing them and explanations of the different options open to parents; and,
- be specific to each local authority and its policy on SEN and disability.

2.3 It is the Department's clear intention to require local authorities to set out a local offer which provides information to parents and young people about the services they can expect from a range of local agencies, including their statutory entitlements. The local offer will need to make clear what provision is normally available from schools, colleges and other services, including health and social care. It will set out the services and provision normally available to children and young people who are disabled or who have special education needs, and their families. It will also set out how they can seek access to more specialist support and how decisions are made about that support, including assessments of the EHC Plans which the Department intends to introduce. The local offer will set out what parents can do when things go wrong, including how to complain or appeal against decisions.

2.4 These measures will ensure that parents and young people have a clear understanding of what provision and support is available locally, and enable them to navigate the system much better. Transition into further education can be a particularly stressful time for parents and young people. The EHC Plans will improve the transition particularly between the school system and the further education system, ensuring earlier planning to meet young people's needs.

<sup>2</sup> <http://www.education.gov.uk/childrenandyoungpeople/sen/a0075339/sengreenpaper>

### **PAC CONCLUSION AND RECOMMENDATION 3**

The quality of assessments of students' needs is variable. Local authorities have a statutory responsibility for assessing higher-level needs. Currently this is done through two different processes depending on where a student is likely to study: Statements of special educational need for young people in schools, and Learning Difficulty Assessments for those continuing their post-16 education elsewhere. Neither of these is fully satisfactory. Learning Difficulty Assessments are not consistent, and are sometimes based more on the availability of local provision than on an objective assessment of the young person's needs.

The Department acknowledges that the statement process for those at school also needs to be improved. *It must ensure that its proposed replacements for these two assessments, 'Education, Health and Care Plans' for young people aged 0-25, are carried out on a timely basis by independent professionals to clear and consistent national standards, and are supported by adequate funding.*

3.1 The Government disagrees with the Committee's recommendation but accepts that the assessment of young people must be timely and supported by adequate funding.

**Target implementation date:** December 2014.

3.2 The Department is pressing ahead to develop a single assessment process and the EHC Plan, which will bring coherence to a system which at the moment works differently depending on a young person's age. Since publishing the Green Paper the Department has established 20 pathfinders involving 31 local authorities, and their local health partners, to test out its key reforms. The Department will take on board learning from the pathfinders as it develops the single assessment and EHC Plan reforms.

3.3 The Department is clear that assessing young people and putting in place EHC Plans needs to be done in a timely way. Different approaches are being tested in the Pathfinders – including considering ways of involving the voluntary and community sector in the process to bring an element of independence and build the confidence of parents and young people.

3.4 The Department will look to introduce legislation at the earliest appropriate opportunity, building on the learning from the pathfinders. Under the SEN Green Paper proposals, by 2014 those children and young people who would currently have a statement of SEN or a Learning Difficulty Assessment would be entitled to a new single assessment process and EHC Plan.

3.5 The Department will put in place relevant statutory duties, rights and entitlements to ensure that the EHC Plan is delivered and to give parents and young people proper routes of redress. However, the Department does not plan to set national standards or to require the assessment to be carried out by independent professionals. The Department will expect each service to be responsible for funding and delivering its own elements of an EHC Plan. It is important that local authorities have the flexibility to deliver the EHC Plan in a way that is tailored to the individual young person. The Department is clear that successful implementation of the EHC Plan will bring about more effective use of existing SEN resources, which are not being reduced.

### **PAC CONCLUSION AND RECOMMENDATION 4**

The Department does not know how much money is actually spent on supporting young people over the age of 16 with special educational needs. There is huge variation in funding per student: in 2009-10 average funding per statement student from the SEN Block Grant to local authorities ranged from as little as £1,900 to over £20,000. This funding is not ring-fenced, and the Department lacks information on how much of the funding actually supports the students for whom it is intended.

*The Department is considering proposals to reform the funding systems, and in doing so it should commit to publishing robust data on special education funding and expenditure, at local authority and national level.*

4.1 The Government disagrees with the Committee's recommendation, but accepts that clear information should be published about special education funding.

**Target implementation date:** December 2014.

4.2 The Department has announced a new approach to funding education support for high needs pupils, including those aged 16-19 in school sixth forms, and high needs students aged 16-25 in further education. Details of these new arrangements were set out in the Government's response to the school funding consultation published in July 2011. The response, *School Funding Reform: Next steps towards a fairer system*<sup>3</sup>, was published on 26 March. The new system will bring together funding arrangements from birth to age 25.

4.3 For students aged 16 up to 25 it clarifies that high needs pupils and students will receive programme funding on the same basis as other students; that all providers will be expected to contribute £6,000 towards the additional education and training support costs of high needs pupils and students placed with them; and that local authorities will provide top-up funding for individual students to meet the remainder of the costs of the educational support required to meet students' assessed needs.

4.4 The Education Funding Agency (EFA) will publish allocations to institutions and details of how they are made up. Local authorities will be expected to publish an account of how much they propose to spend (and subsequently how much they have spent) on top-up funding for high needs pupils and students. It is not possible for data protection reasons, to publish amounts in a way that would enable provision for individual pupils or students to be identified.

4.5 As far as institutional expenditure is concerned, the Government does not think it would be reasonable to expect institutions to work out details of what they have spent on individual pupils and students. To do so would be time consuming, bureaucratic and impractical where there are shared resources. This, combined with the data protection reasons cited above, mean it is not possible to establish precisely what mainstream schools spend on pupils and students with high needs. Outturn information at institutional level is published for special schools and other specialist providers. This covers the whole school and would not enable any distinction to be made between young people under and over the age of 16. Currently, outturn information is gathered across further education providers but a split for special education is not mandatory and is not published.

#### **PAC CONCLUSION AND RECOMMENDATION 5**

**The way students' progress is measured does not allow the long-term impact of special education to be assessed, or the performance of different types of provider to be compared. It is important that the performance of all students with special educational needs can be taken into account in determining how successful special education support is overall. Sometimes, standard qualifications are not the most relevant measure, and data on longer-term life outcomes can be more meaningful. The Committee recognises the challenge of developing comparable performance measures which also reflect individuals' needs, and welcome the Department's intent to better align performance data across different provider types and collect more data on student destinations in the future.**

***The Committee expects the Department to extend its current analysis of students' performance to those undertaking lower level qualifications, and to use information on students' destinations to help monitor performance against its longer-term objectives at a national level.***

5.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** September 2013.

5.2 Destination measures will give Government, along with parents and young people, richer information about where students go to when they leave school or college. These measures will be an

<sup>3</sup><http://www.education.gov.uk/consultations/index.cfm?action=consultationDetails&consultationId=1817&external=no&menu=1>

important part of the school and college performance picture and enable parents and young people to make better choices about provision based on actual outcomes for young people. From 2012, the Department plans to publish education destinations for young people from individual schools and colleges, both at the end of Key Stage 4 and when they leave 16-18 education. Young people with SEN will be included in these destinations measures, and the Department will provide an analysis specifically for this group from 2013. The Department is also considering whether it would be possible to widen these measures to include employment destinations, including for young people with SEN. As with earlier recommendations, the Department will be mindful of data protection rules.

5.3 To sharpen the accountability of schools and colleges, Ofsted has included destinations in their school inspections from January 2012 and will include them in college inspections from September 2012. In the longer term, the Department will explore how to capture wider outcomes such as independent living. The Department agrees that qualifications are not the most relevant measure for some young people with SEN or disability, although the achievement of qualifications can make a major difference to young people's life opportunities. So it is important that providers do not have any presumption of failure for young people with SEN or disabilities.

5.4 The Department is now exploring what information it can publish about institutional performance at age 18, such as the progress made by those with the lowest levels of prior attainment, a disproportionate number of whom have special needs or disabilities. The Department is exploring how it can show which institutions help their students to make good educational progress from one level to the next, such as from Entry Level to Level 1, or from Level 1 to Level 2. Together with relevant contextual information, such as the number of students with SEN or disabilities, this information will enable the Department and the public to better compare the performance of different institutions.

#### **PAC CONCLUSION AND RECOMMENDATION 6**

**There is insufficient information to enable communities to hold local authorities to account for their performance. The Department sets national regulations governing the assessment of young people's special educational needs, but the way these needs are met is determined locally. Local authorities should be able to decide how to meet the needs of young people in their area, but this freedom needs to be supported by transparent information to allow local people to hold them accountable for how well they deliver.**

***The Department should define the information to be made public by local authorities, which should include data on the funding of special education and outcomes achieved, and whether the support offered locally is actually meeting the assessed needs of young people.***

6.1 The Government disagrees with the Committee's recommendation.

6.2 The Government's policy is that local authorities are best placed to decide how the needs of young people are met and this principle underpins the funding reforms the Department has published. The Department is also committed to providing transparent information and will support partners to meet their own commitments to transparency by providing national data which supports analysis at local authority and provider level.

6.3 The Department, through the strengthened review processes captured in the individual EHC Plans and in working with Ofsted on developments to its inspection framework, is making clear that the value it places on assessing whether the learning difficulty and disability support provided is helping young people to achieve their education and training goals.

6.4 National data is being strengthened. In addition to the funding data, the enhancements to the 16-18 performance tables from 2012 will provide more consistent provider level data on destinations and outcomes. The Department will explore publishing data on attainment at age 19 for those formerly SEN at age 15, by local authority. The Department for Business, Innovation and Skills (BIS) also publishes data on the number of Learners with Learning Difficulties and Disabilities over the age of 16 in further education by local authority and is working to further expand the range of participation and achievement data for all learners. This will be organised by provider and scheme whilst protecting the

privacy of individual students.

6.5 Ofsted has a role to assess the standards attained and progress made by those with a learning disability or difficulty. Reports are published on the Ofsted website and provide parents and communities with an expert and independent assessment of how well a school is performing. The Information Standards Board for Education, Skills and Children's Services (ISB) is leading early work across government to ensure comparability of disability and learning difficulties data across all sources and ages. The Department expects this to lead to an approved ISB standard by August 2012. This will support greater comparability of outcome and costs across schools, further and higher education.

6.6 It is for local authorities to consider and decide what data to publish to inform local communities on the extent to which the support provided has met the needs of local young people.

# Seventy Second Report

Department of Health (DH)

Services for people with neurological conditions

## Report Summary from the Committee

Two million people in the UK have a neurological condition, including for example those with Parkinson's disease, motor neurone disease and multiple sclerosis. The figure excludes people with migraine. In 2005, the Department of Health (the Department) published the National Service Framework for Long-term Conditions (the Framework) to improve services for people with neurological conditions. Health spending on neurological conditions increased by 38% in real terms, from £2.1 billion in 2006-07 to £2.9 billion in 2009-10. Spending on social services for people with neurological conditions was an estimated £2.4 billion in 2009-10, and has remained flat since 2005-06. While there have been some improvements, such as reduced waiting times, services remain well below the quality requirements set out in the Framework.

People with neurological conditions need a wide range of services that can cross boundaries between health and social care, employment and benefit services, transport, housing and education. Despite these complex needs, coordination of care for individuals is poor, and there is a lack of integration between health and social services. There is still a lack of neurological expertise, both in hospitals and in the community, and access to services varies widely. Implementation of the Framework lags behind those for cancer and stroke care, even though many neurological conditions severely affect quality of life and cause lifelong disability. Of particular concern is the 32% increase in emergency admissions, and the increased rate of readmissions to hospital within 28 days from 11.2% to 14%, since the introduction of the Framework. Rates are well above those for the NHS as a whole, and represent poor outcomes for people with neurological conditions and poor value for money for the NHS.

Unlike the Cancer and Stroke strategies the model used to implement the Framework has not worked. Implementation was left to local commissioners without the national leadership necessary to drive improvements. No baseline for services or outcomes was established when the Framework was introduced. There was no monitoring of progress, and local commissioners were not held to account for implementation.

There are key lessons to be learnt as the Department develops its proposed new health and social care landscape. The Department intends to decentralise and localise decision-making, with central monitoring, and it will be vital that it sets clear objectives for the outcomes and services for people with neurological conditions. The delivery model needs to work better and put patient needs at its heart if services and outcomes are to improve. There needs to be stronger central and local leadership, and commissioners need to be held to account for outcomes. The Department's central monitoring of services must enable it to intervene where services are failing. The Committee would like the NAO to follow up on progress against the Committees recommendations in 2014.

On the basis of a Report by the Comptroller and Auditor General, the Committee took evidence from the Department about its implementation of the Framework, and its proposals for improving services for people with neurological conditions.

## Government responses to the Committee's recommendations

### PAC CONCLUSION AND RECOMMENDATION 1

Implementation of the Framework lacked leadership at both national and local level, which led to a lack of impetus, focus and direction. The Department accepts that leaving implementation solely to local bodies has not delivered. Unlike other treatment areas, such as stroke and cancer, neurology does not have a dedicated National Clinical Director or local networks to coordinate services.

*The proposed NHS Commissioning Board should appoint a dedicated National Clinical Lead for neurology to provide leadership on the commissioning and design of neurological services. It should also establish local neurological networks, coordinated by the NHS, with clearly responsible and accountable local leadership.*

1.1 The Government disagrees with the Committee's recommendation.

1.2 It is the Government's policy that the National Framework for Long Term Neurological Conditions was designed for local implementation, and there are no current plans to appoint a National Clinical Director for Neurology. With regards to future national leadership, the NHS Commissioning Board will be organised nationally around the five outcome domains of the NHS Outcomes Framework. This reflects the importance of professional and clinical leadership to the Board's success. There will be national leads for each of the five outcome areas, reporting to a Medical Director and Nursing Director at national level.

1.3 There are local neurology networks; therefore it is not correct to say that neurology does not have local networks to coordinate services, although it is acknowledged that there is not full national coverage. Through a review of current networks, the Department is assessing how they can, in future, most effectively support CCGs and the NHS Commissioning Board in their commissioning arrangements.

1.4 Clinical networks have been well established in the NHS for over ten years. The NHS Future Forum recommended that networks should be embedded and developed in the new healthcare system, and the Government's response to the Future Forum supported these recommendations. Work is being taken forward by the NHS Commissioning Board Authority to determine how networks should be developed and established. It is proposed that a number of strategic clinical networks, focused on improving quality for patients, will be established for a specified time, following a transparent process of assessment against key criteria, led by the NHS Medical Director. Strategic clinical networks will have a clear role to:

- support CCGs and the NHS Commissioning Board to improve quality of services and care for patients;
- help reduce unwarranted variations in service delivery;
- support innovation; and
- improve productivity and cost effectiveness.

1.5 In addition to the strategic clinical networks, CCGs and providers may also decide to establish local networks to address specific local priorities, but that will be a matter for local determination.

## PAC CONCLUSION AND RECOMMENDATION 2

The Department lacks the data to measure the effectiveness of services for people with neurological conditions. The Framework lacked an empirical baseline from which progress could be measured nationally or locally for health and social care, and the Department has no way of assessing what resources and activities result in the best outcomes.

*The Department should develop a neurological data set covering resources, services and outcomes, which should include linking existing health and social care data using the patient's NHS number. Key indicators from the data set, including emergency admissions and readmissions for neurological conditions, should be included in the NHS and Adult Social Care Outcomes Frameworks with appropriate targets for reduction.*

2.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2014.

2.2 The Department acknowledges that there was not an established baseline to support measurement of progress against the National Service Framework (NSF) for long term neurological conditions. However, there is currently data available including:

- the Long term neurological conditions reference dataset (70 data items) available via the NHS Information Centre;
- neurological data is included in NHS Comparators;
- Quality Neurology – an audit tool that can be used by Primary Care Trusts and CCGs to scope progress against the Quality requirements; and
- Neurological Commissioning Support has developed *NeuroNavigator*, a tool to support commissioners to assess the budget required to provide services across the whole care pathway for Parkinson's Disease, Multiple sclerosis and Motor neurone disease based on population size.

2.3 The draft indicators published by NICE in February 2012 for consultation, which are being considered for potential inclusion in the COF, include indicators relating to neurological conditions to be measured at CCG population level (provided that this is statistically and clinically valid):

- 1a - Potential Years of Life Lost (including from epilepsy);
- 2 - health related quality of life for people with Long Term Conditions, which includes people with long term neurological conditions; and
- 2.3 (i) and (ii) - unplanned hospital admissions which includes epilepsy (adults and children).

2.4 Domain 2 of the NHS Outcomes Framework contains indicators which measure how well supported individuals are in managing their long term condition; this will include people with long term neurological conditions. Complementary indicators in both the NHS and Adult Social Care Outcomes Frameworks address contributing factors to reducing the levels of admissions and re-admissions, through assessing the effectiveness of early diagnosis, intervention and enablement. Indicators in the outcomes frameworks are not expressed in terms of targets. However, it is envisaged that expected improvements (levels of ambition) against indicators in the NHS Outcomes Framework will be set. Work to develop options for setting levels of ambition is underway in preparation for consultation on the Mandate during 2012.

### PAC CONCLUSION AND RECOMMENDATION 3

The quality of services for people with neurological conditions varies around the country, with some areas having insufficient expertise both in hospitals and in the community. The compliance of individual Primary Care Trusts with the Framework's quality requirements has been poor and so the support and treatment available to people continue to depend on where they live.

*The Department should set out in its reply to the Committee how it will ensure all people with neurological conditions have appropriate access to services. The Committee would expect this to include how the Department will drive improvements through the quality section of the NHS Standard Contract, the Commissioning Outcomes Framework, the Joint Strategic Needs Assessments and the Health and Wellbeing Boards.*

3.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2013.

3.2 A number of developments to the health and care system provided by the Health and Social Care Act 2012 will ensure improved access and more local accountability for services to the needs of individuals, including people with long term neurological conditions.

3.3 The Secretary of State will set out proposals to hold the NHS Commissioning Board to account. The Department will set objectives for the NHS Commissioning Board in the Mandate, which will include the NHS Outcomes Framework. This will ensure that commissioners, providers and others are better able to identify those things that can drive up performance in the NHS by providing a focused set of national outcome goals and supporting indicators on which the overall performance of the NHS can be judged. All domains are relevant to people with long term neurological conditions, but in particular, Domain 2 (enhancing quality of life for people with long term conditions) will address issues such as people feeling supported to manage their condition.

3.4 The NHS Commissioning Board, supported by NICE, will develop a Commissioning Outcomes Framework (COF) so that there is clear, publicly available information on the quality of healthcare services commissioned by CCGs. The COF will not in itself set priorities, though it will inform national and local priority setting. The NHS Commissioning Board will also be responsible for agreeing levels of ambition with CCGs, including against relevant indicators in the COF. The draft indicators published by NICE in February for consultation (which are being considered for potential inclusion in the COF) include indicators relating to neurological conditions derived from the NHS Outcomes Framework. It will be possible for the CCGs to align individual provider contracts with levels of improvement against COF indicators.

3.5 Commissioning reform recognises the needs of patients for specialised services, with the NHS Commissioning Board taking on responsibility for commissioning those services specified within the Specialised Services National Definitions Set. Additionally, there will be flexibility for CCGs to decide how to commission other low-volume services, for example, through collaboration and lead commissioner arrangements.

3.6 Health and wellbeing boards will be the local system leader bringing together the NHS, local authorities and communities to exercise shared leadership in arriving at a joint understanding of local needs, and a shared strategy to meet those needs, fostering greater local democratic legitimacy of commissioning decisions and driving forward the integration of health and social care. The Joint Strategic Needs Assessments (JSNAs), undertaken by the local Health and Wellbeing Board, will be the primary process for identifying local health and care needs, and building a robust evidence base on which local health, social care and public health commissioning plans can be developed.

3.7 Based on JSNA findings, health and wellbeing boards will develop a Joint Health and Wellbeing Strategy (JHWS), which will drive and underpin local commissioning of health care, social care and public health. JSNAs and JHWSs will support health and wellbeing boards in leading a more effective and responsive local health and care system. They will sit at the heart of local commissioning decisions, underpinning improved health, social care and public health outcomes for local communities. The Department is developing statutory guidance for health and wellbeing boards on

JSNAs and JHWSs. This will focus on the principles and processes for good JSNAs and JHWSs, but will not specify form or content as this is a local decision to be made by health and wellbeing boards, based on their knowledge of their local communities.

#### **PAC CONCLUSION AND RECOMMENDATION 4**

**Despite people with neurological conditions requiring a wide range of services, health and social services are poorly integrated. Poorly integrated services can result in, for example, increased emergency readmissions to hospital. Less than 5% of overall NHS and social care budgets are spent through joint arrangements such as pooled budgets.**

***In its Commissioning Outcomes Framework, the Department should mandate joint health and social care commissioning of neurological services, supported by Health and Wellbeing Boards through the Joint Strategic Needs Assessment.***

4.1 The Government disagrees with the Committee's recommendation.

4.2 It is not Government policy to mandate specific local work. It is for CCGs and local authorities, through Health and Wellbeing Boards and JSNAs, to identify local priorities and ensure that they are met.

4.3 Under the Health and Social Care Act 2012, every clinical commissioning group will have a statutory duty to exercise its functions with a view to ensuring that health services are provided in an integrated way, where this is better for patients in terms of improving the quality of the service or reducing inequalities in relation to the outcome from or access to that service. Similarly, there will be a statutory duty to exercise its functions with a view to securing that the provision of health services is integrated with the provision of health-related services, or social care services, where it would improve quality and reduce inequalities.

4.4 The NHS Commissioning Board will be under a duty to act with a view to securing that health services are provided in an integrated way, between health, social care and other health-related services where this would either improve the quality of health services and the outcomes they achieve, or reduce inequalities in access to and outcomes from health services.

4.5 The NHS Commissioning Board will be responsible for translating the NHS Outcomes Framework into a COF that will help drive improvement and hold CCGs to account for the quality of services they commission on behalf of everyone in their population. The COF is a framework of indicators or measures of the quality of health services commissioned by CCGs and not a set of requirements for commissioners. The NHS Commissioning Board may use the measures in the COF to form the basis for national guidance, Therefore the Department would not mandate the suggested joint commissioning of neurological services through the COF.

4.6 JSNAs will be the means by which local leaders work together to understand and agree the needs of all local people, with the Joint Health and Wellbeing Strategy (JHWS) setting the priorities for collective action. Taken together, they will focus leaders on the priorities for action and provide the evidence base for decisions about local services. In developing JHWSs, health and wellbeing boards must consider Health Act flexibilities relating to pooled budgets and lead commissioning - in this way health and wellbeing boards will promote joined up commissioning that will support integrated provision of services across health, public health and social care, based upon local needs.

## PAC CONCLUSION AND RECOMMENDATION 5

Individual care is often poorly coordinated, with only 22% of people with Parkinson's disease, multiple sclerosis and motor neurone disease having a personal care plan. Specialist nurses can play an important role in helping people navigate their way through the range of support they need. While the Department cited a figure of 80% of people with all long-term conditions having care plans, this related to a wider range of conditions and only serves to further underline the disparity between the support available to people with neurological conditions and that available to people with other long-term conditions.

*The Department should set out in its Commissioning Outcomes Framework that every person with a neurological condition should be offered a personal care plan, covering both health and social care. The evidence suggests that this is best done by a single professional, for example a specialist nurse or care coordinator.*

5.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2012.

5.2 The Government recognises the valuable contribution made by nurse specialists. To help trusts develop specialist-nursing roles, the Department published *Long Term Neurological Conditions: A good practice guide to the development of the multidisciplinary team and the value of the specialist nurse*. This guide was created in conjunction with a number of healthcare charitable organisations, including the Multiple Sclerosis Society, Epilepsy Action, the Parkinson's Disease Society and the Royal College of Nursing.

5.3 The Department has put in place mechanisms to ensure a personalised care planning approach for people with long term conditions. Personalised care planning underpins excellent management of long term conditions and is concerned with involving people in decisions about their care, and agreeing a plan of how their health care will be managed. Support for self care is a key element of the personalised care planning process.

5.4 The COF will be developed by the Commissioning Board, not the Department and is a framework of indicators or measures of the quality of health services commissioned by CCGs. It is not a set of requirements for commissioners, therefore the Department could not set out within it a requirement to offer every person with a neurological condition a personal care plan. However, there is already an expectation that the care planning approach and the provision of a care plan is available to everyone with a long term condition (including people with a long term neurological condition). The Personal Health Budgets regulations also state that those offered a personal health budget must have a personalised care plan.

5.5 The personalised care planning approach (with joint assessment for those that need it) is already being delivered by many health and social care professionals. Integral to this is the care planning discussion that recognises other issues in addition to medical needs that can impact on the person's total health and well-being. The care plan records the outcome of the care planning discussion including any actions agreed. It is always owned by the individual and may be shared with carers and other family members, subject to consent from the individual. For those with complex health and social care needs it is more likely to be a more detailed, written document. People with low level or moderate needs may not want a written document, but prefer a record in their notes.

5.6 It is important to recognise that the discussion has taken place, the plan is recorded in an agreed format and that people know they have a plan. Recent information collected by the Department from the GP Survey (January to March 2011) shows that of almost two million people with a long term condition, 83% reported that they have had a care planning discussion.

## PAC CONCLUSION AND RECOMMENDATION 6

The Quality Standards planned by the National Institute for Health and Clinical Excellence (NICE) will not cover all neurological conditions.

*The Committee welcomes the announcement at the hearing that NICE will be developing Quality Standards for Parkinson's disease, multiple sclerosis and motor neurone disease. However, these will not cover other neurological conditions. In addition to the three Quality Standards announced, the Department should instruct NICE to develop a generic Quality Standard covering other neurological conditions.*

6.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2012.

6.2 NICE announced on 23 March 2012 that the Department, following the engagement exercise and advice from the National Quality Board, had referred 123 new Quality Standards to it, for development. Of these new Standards, seven relate directly to neurology: multiple sclerosis, Parkinson's disease, motor neurone disease, management of transient loss of consciousness in adults, faecal incontinence, delirium and "Neurological problems (relatively uncommon neurological problems – for example: muscular dystrophy)".

6.3 The Department does not consider that it would be possible to cover every neurological condition through referral to NICE of a further, generic Quality Standard covering all other neurological conditions. However, the neurology Quality Standards now referred to NICE, as well as those already in development, cover a range of neurological conditions including those which are relatively uncommon. The National Quality Board will keep the need for further Quality Standard development under review.

6.4 The Government is also working on a Long Term Conditions Outcomes Strategy with the aim of setting out a vision for improving outcomes for people with LTCs. Although this will be a generic, rather than condition-specific strategy, its provisions will be relevant to those with long term neurological conditions.

# Seventy Fourth Report

Department for Culture, Media and Sport (DCMS)

Preparations for the London 2012 Olympic and Paralympic Games

## Report Summary from the Committee

The Olympic Games are a huge endeavour against a fixed deadline and under the eyes of the world. The Government's preparations and management of the £9.3 billion Public Sector Funding Package are led by the Department for Culture, Media and Sport. The Department works with a wide range of bodies including the Olympic Delivery Authority, which is responsible for the construction of new venues and infrastructure required for the Games, and the London Organising Committee of the Olympic and Paralympic Games (LOCOG), which is responsible for staging the Games.

The Olympic Delivery Authority's programme is on track and within budget. The Delivery Authority's management of its building programme has been exemplary. However, due mainly to significant increases in the cost of venue security, the likelihood of staying within the overall £9.3 billion Public Sector Funding Package is very finely balanced once the Department's own best estimates of the most likely costs are taken into account. The Funding Package of £9.3 billion allocated to the Olympics does not cover the totality of the costs to the public purse of delivering the Games and their legacy, which are already heading for around £11 billion.

The Government is highly dependent on LOCOG to deliver a successful Games and is obliged to meet any shortfall between LOCOG's costs and revenues. However, operational and financial risks have emerged in areas of LOCOG's responsibility. LOCOG's initial estimates for the cost and scale of venue security were based on a "finger in the air estimate", there have been delays in the LOCOG-led consultations over transport arrangements, and LOCOG itself now has almost no contingency left to meet further costs, even though it has done well in its revenue generation.

The number of security guards required in and around the venues has more than doubled from LOCOG's early estimate of 10,000 guards to 23,700. Consequently, the total cost to the Public Sector Funding Package of venue security has nearly doubled in a year from £282 million in 2010 to £553 million in December 2011. 7,500 of the extra guards will be military personnel. LOCOG and its security contractor, G4S, now face a significant challenge to recruit, train and coordinate all the security guards in time for the Games.

LOCOG has had to renegotiate the contract for venue security it awarded to G4S in December 2010. However, there is no evidence that the Government has secured any price advantage, even though the value of the business it is putting to its contractor has increased from £86 million to £284 million. Despite the assertions of LOCOG and the Home Office, the Committee considers that LOCOG's estimates for venue security could have been better informed much earlier, and that LOCOG's late planning undermined its negotiating position and ability to drive down costs.

With only 109,000 new people regularly participating in sport against an original target (which the new Government chose not to adopt) of 1 million by March 2013, the Department for Culture, Media and Sport has got poor value for money for the £450 million spent through sporting National Governing Bodies. It is unclear what the sporting participation legacy of the Games is intended to be.

On two matters - additional money for ceremonies and the dropping of the sports participation target - the Accounting Officer declined to engage with the Committee on the grounds that these were Ministerial policy decisions. It is important to note that where policy has changed the Accounting Officer remains accountable to Parliament for the value for money of public expenditure incurred.

Whilst the Committee applaud the progress made so far, the Committee heard that responsibility for delivery of the legacy is shared across many different parts of Government, and this rings alarm bells about the effective integration of the various legacy plans and about clear accountability to the Committee and the taxpayer. When the Committee returns to the examination of the Olympic legacy we expect clarity over precisely who will be accountable to Parliament for delivering the benefits to taxpayers from their significant spending on this programme. The Committee were concerned that the Department was unable to quantify what funding has been set aside by London boroughs for the

socio-economic regeneration of East London as in the current economic climate such funding must be regarded as uncertain.

On the basis of a Report by the Comptroller and Auditor General, the Committee took evidence from the Department for Culture, Media and Sport, the Home Office, LOCOG, Transport for London and the Olympic Park Legacy Company.

## Government responses to the Committee's recommendations

### PAC CONCLUSION AND RECOMMENDATION 1

**It will be important that the full cost to the public purse of the Games and their legacy is transparent. The £9.3 billion Public Sector Funding Package is close to being used up after taking account of the most likely expenditure, and the Government is also obliged to meet any shortfall in LOCOG's finances. In addition, there have always been costs outside the Funding Package, such as £766 million to purchase the Olympic Park land and at least £826 million for the legacy programme. As a result, the full cost to the public purse of delivering the Games and the legacy projects is already heading for around £11 billion. However the Department has since made clear that it estimates that £100 million of the funding package will remain as headroom.**

***The Department should produce a single auditable account covering Olympics and legacy-related public expenditure and income within six months of the Games ending.***

1.1 The Government disagrees with the Committee's recommendation.

1.1 Five years after the £9.3 billion Public Sector Funding Package (PSFP) for the Games was announced, the preparations for the London 2012 Olympic and Paralympic Games remain on track and within budget. The PSFP is not close to being used up. The position now is that there is still around £500 million of uncommitted contingency. That contingency is for managing risks which may arise but which have not yet happened and some or all of which may never happen. The £100 million headroom is a notional position which would arise only in the event that all risks were to materialise.

1.2 The Olympic Programme is not and never has been £11 billion. The PSFP remains at £9.3 billion. The £11 billion is a figure that has been constructed by adding to the £9.3 billion the cost of purchasing the Olympic Park land, although it has always been clear that these costs would be recouped from post-Games development with no net costs to the taxpayer; and by adding costs such as the tourism budget which are Government's 'business as usual' costs and not additional Olympic costs. It is therefore entirely proper that expenditure on the Olympic Programme is assessed against the £9.3 billion PSFP. The Government has always been entirely transparent about the costs of delivering the London 2012 Olympic and Paralympic Games and has published the details in its regular Quarterly reports. The final pre-Games report will be published in May 2012 and will cover the period up to 31 March 2012.

1.3 The Government will publish, in Autumn 2012, a post-Games report covering the period up to 30 September 2012. However, expenditure on the post-Games retrofit of the Olympic Village to enable completion of sale and the delivery of over £550 million of capital receipts is expected to continue into 2014 and the Park Legacy transformation work to be carried out by the London Legacy Development Corporation, as successor to the Olympic Park Legacy Company, is also expected to continue into 2014. It will not be possible to deliver a full account of all spending against the PSFP until that work has been completed. A long-term evaluation of the legacy impact of the London 2012 Olympic and Paralympic Games is also under way. From this work an initial pre-Games assessment of the legacy benefits of the Games will be published in Autumn 2012 and an initial post-Games assessment will be published in Summer 2013.

## PAC CONCLUSION AND RECOMMENDATION 2

Operational and financial risks have emerged in areas of LOCOG's responsibilities. This is important because the Government is highly dependent on LOCOG to deliver a successful Games and is spending over £800 million through LOCOG. LOCOG now needs more than twice the number of guards it originally estimated for venue security and associated cost estimates have almost doubled in a year. There have also been delays in LOCOG's consultations on changes to London's road network. In addition, LOCOG itself has now almost no contingency remaining in its budget.

*In view of the critical dependency on LOCOG, and the risks that have emerged, the Department should set out in its reply to us what more it is going to do to satisfy itself that LOCOG's plans are adequate, complete, and are now fully-costed.*

2.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** Additional measures in place from April 2012.

2.2 The Government is committed to working with LOCOG to stage a great Olympic and Paralympic Games whilst ensuring that costs to the public sector are contained within the £9.3 billion Public Sector Funding Package.

2.3 As the Games approach, the Government is focusing its attention on the identification and management of the risks. To this end, the Department is building on its already close working relationship with LOCOG. Across all of LOCOG's functional areas, officials within the Government Olympic Executive, Home Office and other Government Departments will continue to have regular meetings with their LOCOG counterparts. These meetings will continue to play an important role in providing assurance that the plans that LOCOG have in place are adequate, complete and fully costed. Issues arising from these meetings which cannot be resolved in these forums will be referred to senior officials for resolution.

2.4 Monthly meetings between senior officials within the Government Olympic Executive and LOCOG, as well as monthly meetings between the Secretary of State for Culture, the Olympics, Media and Sport and LOCOG's Chief Executive will continue. These meetings focus sharply on the identification and management of operational and budgetary risks and the resolution of Government and LOCOG concerns. Going forward the frequency of senior meetings between LOCOG and Government will quicken, reflecting the necessity to work together to deliver the Games. In relation to budgetary matters, the Government Olympic Executive will continue to discuss with LOCOG at fortnightly intervals the Anticipated Final Cost of staging the Olympic and Paralympic Games. These discussions cover all items of spend as well as the risks and opportunities arising. This ensures that Government has a clear understanding of LOCOG's financial position.

## PAC CONCLUSION AND RECOMMENDATION 3

The cost of venue security has nearly doubled in the past year, from £282 million to £553 million. Despite significantly increasing the business for its security contractor, there is no evidence of LOCOG securing any price advantage when renegotiating the contract. LOCOG signed a contract for venue security in December 2010, based on what the Home Office described as a "finger in the air estimate", with an estimated cost of £86 million. Since then, both the number of guards required and the expected costs have roughly doubled, and LOCOG has renegotiated the contract, which now has a current estimated cost of £284 million. 7,500 of the 23,700 guards will be military personnel, and 3,300 will be civilian volunteers, but recruiting the remainder, and training them, will present significant challenges in the short time available.

The Committee does not accept LOCOG's and the Home Office's assertion that the likely cost and numbers could not have been better estimated much earlier.

**Against this background:**

- ***the Home Office should make clear who is accountable to Parliament for the delivery of, and the value for money of public expenditure on, venue security;***
- ***in response to our report, the Government - as funder of venue security costs - should provide an assessment of the extent to which LOCOG renegotiating the contract, without competition, has contributed to the increased contractual costs; and***
- ***the Department should carry out a lessons learned exercise on why the original estimates were so wrong.***

3.1 The Government disagrees with the Committee's recommendation.

3.2 Original estimates of venue security costs were based on the best available information at the time and the experience of past Games, including the Manchester Commonwealth Games and the Vancouver Winter Olympics. However, there has never been a comparable Games – a Games taking place in the heart of an urban area in a major Western capital city in a high threat environment – so there was no precedent on which to base planning.

3.3 It was not possible to produce final or definitive costings for venue security at the time when the original budget was drawn up, because that work necessarily has to follow on from detailed operational venue and competition planning. The detailed planning work could only have taken place in the last year, as a significant number of other operational arrangements needed to be finalised, including: the detailed competition schedule of over 1,000 events; confirmation of over 100 venues which needed some level of security; and venue operating plans for each venue across all functional elements. The venue operating plans cover security, including, importantly, the times of operation in the lead up to the Games, during the Games, over the transition period between the two Games as well as the decommissioning of each venue at the end of the Games period. The Government does not believe that a further lessons learned study would produce a different conclusion.

3.4 It was precisely because of this uncertainty that the programme built in high levels of contingency, which are now being drawn on. The uncertainty was also reflected in the letter which the DCMS Permanent Secretary wrote to the Committee of the Public Accounts in 2005 in which she said: *"At this early stage, it is not known whether holding the Olympics in London will provoke new threats to security or increase the risk of having to respond to threats of which the Home Office is already aware. It would therefore be extremely hard to assess the nature of the contingent liability, let alone its potential costs"*

3.5 In line with guarantees given to the International Olympic Committee at the time of the bid, the Home Secretary has responsibility within Government for the delivery of a safe and secure Games.

3.6 LOCOG, as a private company, negotiates its own contract with its security supplier. However, the terms of the revised LOCOG contract with G4S have been seen by Government procurement experts who are satisfied that it is in line with comparable Government contracts with G4S and that it represents value for money. Neither LOCOG nor the Government believes that it would have led to cost savings if, at the point when the increased venue security requirement became evident, LOCOG had sought to divide the contract between a number of different companies. Each would have required their own infrastructure and overheads, with consequential costs, and this would also have added greatly to the complexity of the command and control operational arrangements.

#### PAC CONCLUSION AND RECOMMENDATION 4

Despite spending £450 million poor progress has been made on the original target to get 1 million more people participating in sport by March 2013; this expenditure represents poor value for money. Increasing participation in sport was a key part of the rationale for bidding for the Games in the first place. Sport England is funding the National Governing Bodies of sports for this purpose, but after three years of a five-year programme it is a long way short of the original goal, with only 109,000 more people taking part in sporting activities. The Department told the Committee that the Government has chosen not to adopt the target of 1 million new participants, and that it is now aiming to improve sports participation through the School Games and other programmes. The Department was unable to provide the Committee with any sense of the scale of its current ambitions.

*The Department should set out the level of sports participation it now expects as the Olympic legacy.*

4.1 The Government disagrees with the Committee's recommendation.

4.2 The Government notes that neither the NAO, nor the Committee in its evidence session, considered or took evidence on the value for money of Sport England's spend.

4.3 No Host City has been able to increase participation on the back of an Olympic Games. A new approach to try to engage and retain young people in sport has been adopted. The new strategy, which will focus primarily on the 14-25 year old age group, is designed to develop a sporting habit for life, tackle drop off at key age points and provide different opportunities to take up sport both within schools through the School Games and in community sports clubs.

4.4 The ambition is to provide a long term, sustainable community sport legacy with tougher contracts for the National Governing Bodies of sport, based on payment by results, along with school and community based programmes. The objective of the strategy is to seek a consistent increase in the proportion of people regularly playing sport. In particular, the Government wants to raise the proportion of 14-25 year olds who play sport and to establish a lasting network of links between schools and sports clubs in local communities so that young people continue to play sport up to and beyond the age of 25.

#### PAC CONCLUSION AND RECOMMENDATION 5

It is not clear who will be accountable for the delivery and coordination of the promised Olympic legacy once the Games are over. The Committee was told that responsibility is shared across "many different parts of government", which leaves us concerned about the scope for failure to coordinate activities properly and for a lack of clarity over respective responsibilities.

*The Department should set out precisely who will be accountable to Parliament for delivering the legacy benefits from the significant public spending on the Games, and how various legacy strands will be coordinated after the Games.*

5.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** July 2012

5.2 It is true that a number of different Government departments, and indeed other delivery bodies, are responsible for delivering elements of the legacy, for example: the Department for Business, Innovation and Skills (BIS) leads on the business legacy and DCMS on the tourism legacy. That is the case now and will continue to be so after the Games. The Department will set out publicly in July 2012 who is responsible for which elements, so there is clarity.



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