



HM Treasury

# Treasury Minutes

**Government responses on the Second, the Sixth, the Thirteenth and Fourteenth, the Seventeenth to the Nineteenth, the Twenty First, the Twenty Second and the Twenty Fourth Reports from the Committee of Public Accounts. Session 2013-14.**

---





# Treasury Minutes

Government responses on the Second, the Sixth, the Thirteenth and Fourteenth, the Seventeenth, to the Nineteenth, the Twenty First, the Twenty Second and the Twenty Fourth Reports from the Committee of Public Accounts. Session 2013-14.

- 2nd Report: Early Action landscape Review
- 6th Report: Improving Government procurement and the impact of Governments ICT savings initiatives
- 13th Report: Civil Service Reform
- 14th Report: Integration across Government and Whole Place Community Budgets
- 17th Report: Administering the Equitable Life Payment Scheme
- 18th Report: Carrier Strike: the 2012 reversion decision
- 19th Report: The dismantled National programme for IT in the NHS
- 21st Report: Police procurement
- 22nd Report: High Speed 2 – a review of early programme preparation
- 24th Report: Rural Broadband Programme

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

November 2013

TREASURY MINUTES DATED 18 NOVEMBER 2013 ON THE SECOND, THE SIXTH, THE THIRTEENTH AND FOURTEENTH, THE SEVENTEENTH TO THE NINETEENTH, THE TWENTY FIRST, THE TWENTY SECOND AND THE TWENTY FOURTH REPORTS FROM THE COMMITTEE OF PUBLIC ACCOUNTS. SESSION 2013-14

© Crown copyright 2013

You may re-use this information (excluding logos) free of charge in any format or medium, visit the terms of the Open Government Licence. To view this licence, visit [www.nationalarchives.gov.uk/doc/open-government-licence/](http://www.nationalarchives.gov.uk/doc/open-government-licence/) or email [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquires regarding this publication should be sent to us at: [public.enquiries@hm-treasury.gsi.gov.uk](mailto:public.enquiries@hm-treasury.gsi.gov.uk).

You can download this publication from [www.gov.uk](http://www.gov.uk)

ISBN 978-0-101874-42-7

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

Printed on paper containing 75% recycled fibre content minimum

ID XXXXXXXX 11/13 34392 19585

## Second Report

### HM Treasury

#### Early Action Landscape Review

#### Context

'Early action' involves providing public services to address causes rather than symptoms. It is where government departments, local authorities or other organisations use resources to help prevent or reduce, for example, acute health conditions, and therefore demand on costly public services in the future. Classic examples of early action include encouraging walking and cycling to improve health, and reduce reliance on carbon-intensive transport, and making homes more energy efficient to help reduce carbon emissions and conserve energy.

On the basis of a report by the NAO, the Committee took evidence, on 27 February 2013, from the Treasury, the Department for Education, the Department of Health, the Centre for Social Justice, the New Economics Foundation and the Founder of Community Links, on early action across government. The Committee published its report on 20 September 2013.

#### Resources

NAO report: *Early action: landscape review* - Session 2012-13 (HC 683)

PAC report: *Early action: landscape review* – Session 2013-14 (HC 133)

#### Government response to the Committee

##### 1: Committee of Public Accounts recommendation

**The Treasury should take an active leadership role, in close partnership with the Cabinet Office, in driving and coordinating early action in central government. As a first step the Treasury should establish an agreed, common definition of early action and undertake an exercise to quantify the potential of early action to reduce public spending and increase economic growth.**

1.1 The Government agrees with the Committee's recommendation.

**Work in progress:** Future spending reviews.

1.2 Treasury officials have met with members of the Early Action Taskforce to discuss the creation of an agreed, common definition of early action for Government which would support the mapping of current spend. In advance of future Spending Reviews, and in conjunction with departments, the Treasury would expect to look at all the options to reduce public spending and increase economic growth, including the potential of early action spend. The Cabinet Office has established '*What Works*' centres to improve the evidence with which to judge that potential.

##### 2: Committee of Public Accounts recommendation

**As part of the next spending review, the Treasury should introduce mandatory 10-year impact assessments for all departmental spending programmes. The Committee will invite the C&AG to examine how the Treasury has used those assessments in determining resource allocations for departments.**

2.1 The Government disagrees with the Committee's recommendation.

2.2 The Treasury continues to take a long-term approach to its spending decisions and the delivery of public services. The Treasury will continue to prioritise early intervention spend within multi-year departmental settlements, for example through the extension of the Troubled Families Programme, and ensure evidence on the long-term impacts of both resource and capital spending is taken into consideration. However, the Treasury does not believe a mandatory 10-year impact assessment for all departmental spending programmes represents an effective or proportionate approach to its decision-making.

### 3: Committee of Public Accounts recommendation

**The Treasury should look again at the potential benefits of ring-fencing early action budgets, and the Treasury and departments should provide incentives for local commissioners and front line practitioners to implement early action initiatives.**

3.1 The Government disagrees with the Committee's recommendation.

3.2 The Treasury believes that imposing additional ring fences within departmental budgets where avoidable does not represent a sensible approach to departmental budgeting and incentivising early action initiatives.

### 4: Committee of Public Accounts recommendation

**In collaboration with the 'What Works' centres, the Treasury should provide clear guidance to departments of how to evaluate the cost-effectiveness of early action programmes, and what types of evidence it expects to see.**

4.1 The Government agrees with the Committee's recommendation.

**Work in progress:** 2014.

4.2 Early action projects differ from others because they involve action to prevent harm or improve outcomes in the future. However the kind of evidence required and the means of obtaining it do not differ from other projects and are covered in the Treasury *Green Book* on appraisal and evaluation and the *Magenta Book* on the conduct of evaluation of studies. The Treasury is currently clarifying existing *Green Book* guidance on Appraisal and Evaluation as part of a periodic review of the guidance. Additionally, the Treasury is trialling a scheme to build and sustain improved capacity across the public sector in preparing spending proposals such as business cases.

### 5: Committee of Public Accounts recommendation

**The Treasury, working with departments, should set out how early action budgets could be pooled between departments to bring about the required step change in joint working.**

5.1 The Government agrees with the Committee's recommendation.

**Work in progress:** Spending Round 2013 and future Spending Reviews.

5.2 The Treasury made steps to pool key early action budgets between departments at the 2013 Spending Round, announcing the creation of a £3.8 billion pooled budget for health and social care services and a further £200 million to extend the Troubled Families programme (funded by contributions from the relevant government departments). The Treasury intends to monitor the implementation and impact of these pooled budgets and will consider how to extend their use for other similar issues at future Spending Reviews.

## Sixth Report

### Cabinet Office

## Improving government procurement and the Impact of Government's ICT savings initiatives

### Context

Central Government spent a total of around £45 billion on buying goods and services in 2011-12. These range from items common across departments, such as energy, office supplies and travel, through to specialist areas such as defence equipment and welfare to work services. Since 2010, the Government has introduced a range of procurement reforms intended to achieve savings, to take advantage of Government's buying power to stimulate growth and innovation, and to improve the Government's approach to commissioning ICT services.

The initiatives include centralising the procurement of common goods and services, on which central Government spent an estimated £7.5 billion in 2011-12. The central contracts are managed by a new body, the Government Procurement Service (GPS). There are also reforms specific to ICT on which central Government spent an estimated £6.9 billion in 2011-12, buying a range of items and services, from desktops to large, bespoke ICT systems. The initiatives in the ICT sector include a process whereby ICT spending over £5 million must be approved by the Cabinet Office and a shared infrastructure programme across government.

On the basis of two reports by the NAO, the Committee took evidence, on 4 March 2013, from the Cabinet Office, the Ministry of Defence and the Ministry of Justice on progress with Government's procurement and ICT reforms. The Committee published its report on 20 September 2013.

### Resources

- NAO report: *Improving government procurement* - Session 2012-13 (HC 996)
- NAO report: *The impact of government's ICT savings initiatives* - Session 2012-13 (HC 887)
- PAC report: *Improving government procurement and the impact of government's ICT savings initiatives* – Session 2013-14 (HC 1024)

### Government response to the Committee

#### 1: Committee of Public Accounts recommendation

**The Cabinet Office should set out formal accountability arrangements supported by detailed service level agreements for each category of procurement managed by the Government Procurement Service. With these in place there should then be sanctions for departments which do not comply.**

1.1 The Government agrees with the Committee's recommendation.

**Work in progress:** 2015.

1.2 The Government has taken action over the past two years to strengthen the clear lines of accountability. In July 2013, the Government announced the creation of the Crown Commercial Service. This will deliver further savings to taxpayers and strengthen commercial capability. Robust accountability arrangements and clearly defined roles and responsibilities will be critical to the success of this new organisation. The arrangements are currently being developed alongside a renewed focus on each major category of spend.

#### 2: Committee of Public Accounts recommendation

**The Cabinet Office and the Government Procurement Service should work with departments to improve the quality of procurement data, and use this to agree detailed plans and targets with each department for the next three years.**

2.1 The Government agrees with the Committee's recommendation.

**Work in progress:** 2015.

2.2 High quality management information and spend data is critical to the Government's Efficiency and Reform Programme. In 2010, the Government did not know how much revenue major suppliers earned from central Government. Since 2010, improvements have been made. High quality data is a key enabler of the Commercial Reform Programme, which the Crown Commercial Service will take forward with departments.

### 3: Committee of Public Accounts recommendation

**The Cabinet Office and the Government Procurement Service need to ensure greater use of the central contracts in local bodies by providing robust data to demonstrate the benefits, and by improving their communication with the wider public sector.**

3.1 The Government agrees with the Committee's recommendation.

**Work in progress:** 2015.

3.2 The Cabinet Office will encourage organisations across the public sector to join central contracts including by robustly demonstrating the value for money benefits that collaboration brings for the taxpayer. Nearly 200 wider public sector bodies are using the Government Procurement Service (GPS) framework, which is helping to improve efficiency. The Crown Commercial Service will continue to build upon this work.

### 4: Committee of Public Accounts recommendation

**The Cabinet Office should consider how suppliers' performance and record of paying their fair share of tax impact on procurement decisions. EU public procurement laws should not be interpreted as a barrier to making common sense decisions on procurement.**

4.1 The Government agrees with the Committee's recommendation.

**Work in progress:** Summer 2014.

4.2 The Government has brought an unprecedented focus to bear on supplier performance, managing strategic suppliers centrally for the first time - this new approach was published in 2012. The Government will ensure that all suppliers comply with their tax obligations, enhanced by a new policy announced in Budget 2013 to ensure the procurement process promotes tax compliance to central government contracts over £5 million. Suppliers bidding for these contracts will need to self-certify their tax compliance.

### 5: Committee of Public Accounts recommendation

**The Cabinet Office should develop a detailed strategy for how it intends to increase Government spending with SMEs, including which services could and should be provided by small businesses, and how the data collected on SMEs can be made more robust.**

5.1 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

5.2 The Cabinet Office has set out steps to open up procurement to SMEs in its *Two Year On* progress report. All departments have developed action plans to ensure SME-friendly practices become business as usual within departments. The Cabinet Office has made procurement simpler and more open including by eliminating pre-qualification questionnaires for low value contracts. Additionally, opportunities over £10,000 are required to be advertised on Contracts Finder; a Crown Representative was appointed for SMEs; and a Mystery Shopper Service was introduced to tackle poor procurement practice. The Cabinet Office will continually improve both quality of data and its collection processes.

### 6: Committee of Public Accounts recommendation

**The Cabinet Office should strengthen its capability and capacity to challenge departmental proposals for ICT procurements, identify failure quicker, and work with departments to accelerate the change in culture from buying ICT to commissioning services.**

6.1 The Government agrees with the Committee's recommendation.

**Work in progress: 2015.**

6.2 Experienced Crown representatives and the Government Digital Service (GDS) engage with strategic suppliers. Spending controls have improved the ability to challenge IT projects, and the Cabinet Office is strengthening its technology reform function to help reshape specific programmes. A new technology leader's network will set and implement cross-government technology direction. To address the capability gap interim resources will be provided to departments, and added support to recruitment for technology roles across Government. The Crown Commercial Service will also have a dedicated facility to support commercial engagement on IT projects.

#### **7: Committee of Public Accounts recommendation**

**The Cabinet Office should set out in its Treasury Minute response the improvements it expects in these areas, the money it hopes to save, how it will measure progress, and how the initiatives will be integrated.**

7.1 The Government agrees with the Committee's recommendation.

**Work in progress: 2015.**

7.2 In 2012-13 the Government saved £10 billion, compared to 2009-10. Reforming procurement and commercial issues; rationalising procurement; and re-negotiating large Government contracts achieved £3.8 billion of savings. By 2014-15, the Government will use the private sector more to reduce fraud, error and collect debt.

7.3 Next Generation Shared Services will be implemented by April 2015, which will achieve savings from sharing transactional services of £128 million per annum. Departments are being supported with the transformation of their retained back office to realise potential wider benefits opportunities of £400-600 million. The Government is committed, by March 2015, to redesign and rebuild 25 of the largest 50 government transactions to make them simpler, clearer and faster. Savings are reported through ERG.

7.4 The Government has improved the management information it uses to interrogate expenditure, for example: the Quarterly Data Summary and the Government Interrogation Spending Tool (GIST). However, the Government recognises that further work is needed to embed these reforms and improve and audit data quality. The Government will build on this progress with an ambition to save £20 billion per annum by 2014-15.

# Thirteenth Report

## Cabinet Office

### Civil Service Reform

#### Context

The 2012 *Civil Service Reform Plan* (the Plan), published in June 2012, outlines plans to transform the civil service to be more delivery-focused and have sufficient commercial, digital, project and change management skills. The Cabinet Office is responsible for overseeing implementation of the Plan.

The Committee supports the broad aims to reform how central government operates, and hopes that the Plan will help prevent the failures in project and programme delivery.

On the basis of a report by the NAO, the Committee took evidence, on 15 April 2013, from the Head of the Civil Service, the government's lead non-executive director, the Director General for Civil Service Reform in the Cabinet Office and the Chief Operating Officer of the Cabinet Office's Efficiency and Reform Group on civil service reform. The Committee published its report on 20 September 2013.

#### Resources

- NAO report: *Memorandum on the 2012 Civil Service Reform Plan* - Session 2012-13 (HC 915)
- PAC report: *Civil Service Reform* – Session 2013-14 (HC 473)

#### Government response to the Committee

##### 1: Committee of Public Accounts recommendation

**The Cabinet Office should set out robust, data-driven performance and outcome measures against which to judge success.**

1.1 The Government agrees with the Committee's recommendation.

**Work in progress:** 2015.

1.2 The *Civil Service Reform: One Year On*<sup>1</sup> report reflected the open and honest approach we want to take towards reporting our implementation progress. It made clear that despite some significant progress too little of the Reform Plan had been fully executed, held back by some of the very weaknesses it was designed to address. We are committed to picking up the pace on delivery, and driving the Reform Plan actions to a successful conclusion – with a single-minded focus on those actions which will realise the most significant benefits for the taxpayer.

##### 2: Committee of Public Accounts recommendation

**The Cabinet Office should clarify how permanent secretaries will be held to account for performance against their objectives and delivery of the *Civil Service Reform Plan*, and what performance data the Cabinet Secretary, Head of the Civil Service and departmental non-executive directors will use to do so.**

2.1 The Government agrees with the Committee's recommendation.

**Work in progress:** 2015.

2.2 The Government is committed to strengthening the accountability of the Civil Service to Ministers and Parliament. The publication of Permanent Secretary objectives is a key part of this, and will ensure performance management is much more transparent than it has been in the past.

2.3 All Permanent Secretaries are performance managed by either the Cabinet Secretary or the Head of the Civil Service. They have formal performance reviews at the mid and end year points of the appraisal cycle. Feedback on performance is taken from Secretaries of State, lead NEDs, the Prime Minister and the Deputy Prime Minister's Offices, and Permanent Secretary colleagues. These performance discussions are informed by progress made against their individual objectives (including those on Civil Service Reform),

<sup>1</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/211506/CSR\\_OYO\\_LOW\\_RES\\_PDF.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/211506/CSR_OYO_LOW_RES_PDF.pdf)

departmental business plans, efficiency and reform action plans and performance on corporate data such as sickness absence and staff engagement.

### 3: Committee of Public Accounts recommendation

**In its revision to *Managing Public Money*, the Treasury should require accounting officers to explicitly confirm that the right skills and resources are available. If they are not in place, the accounting officer should not proceed, unless in receipt of a specific direction from the minister. However, there have been no ministerial decisions, on this or any other topic, in the last 3 years.**

3.1 The Government agrees with the Committee's recommendation.

#### **Recommendation implemented.**

3.2 The Treasury published a revised version of *Managing Public Money (MPM)* in July 2013. The revised guidance requires each Accounting Officer to scrutinise significant policy proposals, or plans to start or vary major projects, and then assess whether they measure up to the standards in MPM. These standards include a requirement to ensure adequate skills and resources are in place.

### 4: Committee of Public Accounts recommendation

**The Cabinet Office and the Treasury should outline to us in detail how they will take forward Lord Browne's recommendations on stronger central oversight of project initiation and progress, and on powers and resources for the Major Projects Authority.**

4.1 The Government agrees with the Committee's recommendation.

#### **Work in progress: 2015.**

4.2 The Major Projects Authority (MPA) has already made a significant impact on major project delivery. MPA has extensive assurance and scrutiny powers on the Government's major projects, and saved the taxpayer £1.2 billion in 2012-13, whilst at the same time improving the rate of successful project delivery. The Government is also reforming major project delivery by collectively taking forward the Committee's, the NAO's and Lord Browne's recommendations. Working with the Treasury and Infrastructure UK, the MPA has developed this strategy to be implemented by 2013-14.

### 5: Committee of Public Accounts recommendation

**The Head of the Civil Service should define a new operating model for the centre of government, which includes: control of key corporate functions - including finance, HR and IT - sitting more squarely with the centre; and the centre using its strategic position more effectively to ensure government joins up its thinking and learns lessons from past mistakes.**

5.1 The Government agrees with the Committee's recommendation.

#### **Work in progress: 2015.**

5.2 The Government has committed to design and deliver stronger corporate functional leadership for government, including (but not restricted to) human resources and information technology, together with further changes to procurement and communications services. This will deliver potential further efficiency savings, and higher quality and resilient support for the business of Government.

5.3 In addition, Treasury's current review into '*Strengthening Financial Management Capability in Government*' is considering how the role of the Head of Financial Profession could be strengthened to promote improved financial capability. The review will report by the end of the 2013.

5.4 The Efficiency and Reform Group (ERG), in partnership with the Treasury, already works across Government departments to deliver efficiencies, savings and reforms on behalf of UK taxpayers. Through this approach, efficiency savings of £10 billion were delivered in 2012-13 (compared to 2009-10) in areas such as procurement and major projects. ERG has an ambition to deliver savings of £20 billion per annum by 2014-15.

## Fourteenth Report

### Cabinet Office, HM Treasury, and the Department for Communities and Local Government

#### Integration across Government and Whole Place Community Budgets

##### Context

The Government operates largely through departments or other public sector bodies which are organised by policy area or function. However, many policy issues and public services cut across the 'silos' created by organisational boundaries. 'Integration' in the Government refers to the coordination of working arrangements where several departments or other public sector bodies are involved in delivering a service or programme.

The Government has made some progress on integrating back-office functions - for example: collaborative procurement in the NHS and departments sharing legal services, finance and other corporate services. However, there is significant potential for more integration of frontline services to increase the efficiency of service delivery and improve service outcomes for citizens. The Treasury acknowledged that the Government needs to radically rethink how frontline services could be delivered for less - including through greater integration - and this is crucial at a time of continuing cost restraint

On the basis of two reports by the NAO, the Committee took evidence, on 24 April 2013, from Head of the Civil Service and Permanent Secretary of the Department for Communities and Local Government; the Permanent Secretary of the Cabinet Office; the Director General of Public Spending in the Treasury; the Director General of Social Care in the Department of Health; Essex County Council's Chief Executive; and Manchester City Council's Deputy Chief Executive on integration across government and Whole-Place Community Budgets. The Committee published its report on 20 September 2013.

##### Resources

- NAO report: Integration across government - Session 2012-13 (HC 1041)
- NAO report: *Case study on integration: Measuring the costs and benefits of Whole-Place Community Budgets* - Session 2012-13 (HC 1040)
- PAC report: Integration across government and Whole Place Community Budgets– Session 2013-14 (HC 473)

##### Government response to the Committee

#### 1-5: Committee of Public Accounts recommendations

**The Cabinet Office should set out the specific measures it will introduce to bring about the more collaborative civil service set out in the *Civil Service Reform Plan*, including how policy will be developed in an integrated way that starts with outcomes rather than existing departmental structures.**

**The Cabinet Office and the Treasury should provide a stronger lead on integration and explain to us how they will respond to the specific recommendations directed to them in the C&AG's report.**

**For future Spending Reviews, departments should identify and provide clear evidence on opportunities for integration in their spending proposals, and the Treasury should challenge those which have not.**

**The Treasury should improve financial incentives for integrated working by initiating multi-year funding agreements, aligning funding periods for different bodies, and creating mechanisms to share the financial benefits of coordinated working.**

**The Treasury and Cabinet Office should ensure that, where services are integrated, accountability arrangements are clear, drawing on lessons from the Whole Place Community Budgets programme**

1.1 The Government generally agrees with the Committee's recommendation.

**Recommendation implemented.**

1.2 The Government remains committed to using tight central control over key areas of spend where joint working across Government can reduce cost. This approach delivered £10 billion efficiency savings in 2012-13.

1.3 The Government committed in the One Year On report to design stronger corporate functional leadership for government (including for human resources, commercial reform, and information technology). This will deliver higher quality, resilient support for the business of Government. In addition, the Treasury's current review into *Strengthening Financial Management Capability in Government* is considering how the role of the Head of Financial Profession should be strengthened to promote improved financial capability. The review will report by the end of the 2013.

1.4 The Government's policy is to allow local areas the freedom to redesign services to better meet the needs of local people. Departments play a collaborative role in this process. For example: programmes like the *Commissioning Academy* and the *What Works Network* are aimed at encouraging and supporting public sector leaders by equipping them with new skills or access to high-quality, rigorous evidence to help them better understand their citizens and communities, and work more effectively in order to secure better outcomes. It is also devolving decision making to local levels where that can offer better flexibility and choice for users.

1.5 The Government further supports integration through the open public services reform programme, coordinating departmental business plans, and supporting policy coordination through the work of Cabinet Committees. The Government recognises the Committee of Public Account's concern around accountability for local spending. Departments' systems statements are designed to provide assurance about the quality and efficacy of local spending. A range of new transparency measures to strengthen accountability over public spending have been introduced.

#### 6: Committee of Public Accounts recommendation

**The Department for Communities and Local Government should support and monitor the implementation of the Whole-Place Community Budgets programme, and promote wider take-up of the approach. In particular, it needs to encourage the support of other departments, ensure robust evaluation of new integrated services, and disseminate lessons learned.**

6.1 The Government agrees with the Committee's recommendation.

#### **Recommendation implemented.**

6.2 The Public Service Transformation Network, announced at Budget 2013, brings together seven Whitehall departments and key local partners, across the public, private and voluntary sectors. The Network is promoting wider take-up of the Whole Place approach and disseminating lessons learned. In addition to the four initial local areas, a further nine new areas are now co-designing service transformation with the Network and more than 30 other local areas are engaged and being encouraged in developing towards this approach. The Treasury led cross-Whitehall Technical Advisory Group is providing support on evaluation and other technical aspects of this programme.

# Seventeenth Report

## HM Treasury

### Administering the Equitable Life Payment Scheme

#### 1: Committee of Public Accounts conclusion

**In 2010 the Treasury was given powers to make payments to just over a million former policyholders of the Equitable Life Assurance Society. The Treasury engaged National Savings and Investments (NS&I), an Executive Agency of the Treasury, to operate the Scheme, and NS&I out-sourced it to Siemens. The Siemens contract was subsequently bought by ATOS. At the end of March 2013, the Scheme had paid out a total of £577 million to 407,000 policyholders.**

1.1 On the basis of a report by the National Audit Office, the Committee took evidence, on 15 May 2013, from the Treasury, National Savings and Investments (NS&I) and representatives of the Equitable Members Action Group (EMAG) and Equitable Life Trapped Annuitants (ELTA) on the design and operation of the Equitable Life Payment Scheme. The Committee published its report on 26 July 2013.

#### Resources

- NAO report: *Administering the Equitable Life Payment Scheme* - Session 2012-13 (HC 1043)
- PAC report: *Administering the Equitable Life Payment Scheme* – Session 2013-14 (HC 111)

#### Government response to the Committee

#### 2: Committee of Public Accounts recommendation

**The Treasury should undertake a lessons-learned exercise on the Scheme, informed also by previous government compensation schemes. It should report back to us on the results and on how it will ensure these lessons are applied to both the current scheme and any future schemes introduced by the Government.**

2.1 The Government agrees with the Committee's recommendation.

**Work in progress:** November 2013.

2.2 The Treasury will implement this recommendation through two reports. First, a report in November 2013 will consider what lessons from experience to date can be applied to achieve further improvements in the operation of the current scheme, including tracing. Second, a final lessons-learned report, building on earlier reports on the setting up of the Scheme, will be completed after closure and shared with the Committee, National Audit Office and the Major Projects Authority for dissemination across Government in early 2016.

#### 3: Committee of Public Accounts recommendation

**NS&I must improve its control over the costs of administering the Scheme, and report regularly to the Treasury on its validation of ATOS activities and performance.**

3.1 The Government agrees with the Committee's recommendation.

**Work in progress:** November 2013

3.2 NS&I meets with Atos every month to understand and challenge finances against baselines, costs incurred and forecasts. Changes in and variances between forecasted and actual costs are examined before being reported monthly to the Treasury. Following the baseline review, work not agreed was removed from the forecast and new activity will be formally agreed with the Treasury before work commences. NS&I continue to challenge Atos on possible cost savings and to ensure identified savings are tracked monthly. A formal assurance process ensures Atos' charging summaries are acceptable against a process agreed with the Treasury, prior to issuing invoices to the Treasury. Following a Treasury internal audit, better documentation of financial control processes will support improved validation of costs by November 2013.

#### **4: Committee of Public Accounts recommendation**

**The Treasury must look again at what cost-effective approaches could be used to trace more policyholders. Specifically, Treasury and NS&I should, with immediate effect, work with EMAG to explore options for utilising EMAG's data to contact policyholders who have not yet received a payment.**

4.1 The Government agrees with the Committee's recommendation.

**Work in progress:** December 2013

4.2 The poor quality of some of the data held by Equitable Life, for example out-of-date or incomplete address details, has made tracing policyholders more difficult than anticipated. Advertising commenced in October 2013, following the extension of the Scheme to mid-2015. The Treasury is also reviewing approaches to identify further cost effective options on top of existing methods for tracing the remaining policyholders. The Treasury met with the Equitable Members Action Group (EMAG) in October 2013 to discuss approaches, and a further meeting is planned in November 2013. The Treasury is already accepting referrals of specific unpaid policyholders' cases from EMAG and the Equitable Life Trapped Annuitants (ELTA) to arrange payment by the Scheme.

#### **5: Committee of Public Accounts recommendation**

**NS&I must improve the quality of customer service provided by ATOS, including stopping duplicate requests for information and the inappropriate use of standard template letters.**

5.1 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

5.2 While overall the Scheme has had low complaint levels (1% of the population due a payment at 31 August 2013), a significant proportion were not handled satisfactorily. NS&I increased expert resource to review complex cases and now provides bespoke responses rather than template letters. NS&I set up a team to handle and improve the quality of ministerial correspondence. Existing regular reporting shared with the Treasury monitors agreed service levels, complaints and correspondence. Numbers of complaints relating to service continue to drop significantly with August 2013 at 6% and September 2013 at 4.5% of the highest level of complaints received during July 2012. The Scheme's telephone helpline has been enhanced to improve the service for policyholders and increase payment process efficiency.

#### **6: Committee of Public Accounts recommendation**

**The Treasury should write to the Committee outlining what action it has taken to make sure the data used by Towers Watson are correct, and what it will do make sure policyholders receive better and fuller explanations on how their payments have been calculated.**

6.1 The Government agrees with the Committee's recommendation.

**Work in progress:** December 2013.

6.2 The Treasury will write to the Committee about how the policyholder data provided by Equitable Life to Towers Watson was assured. Illustrative examples of the Equitable Life and Comparator annuity payments for standard With-Profits Annuity policies were published online in June 2013 to provide additional information about the Relative Loss calculation for annuitants. The department also wrote to the Committee on 30 May 2013 to explain the work carried out to assure the development and application of the calculation methodology used by Towers Watson. The Treasury will also examine the case for providing further explanations to policyholders about how their payment is calculated, keeping in mind the importance of proportionality.

#### **7: Committee of Public Accounts recommendation**

**The Treasury should bring forward its planned publicity of the closure of the Scheme.**

7.1 The Government disagrees with the Committee's recommendation.

7.2 While the Government agrees the importance of publicity to encourage any Equitable Life policyholders that the Scheme has not been able to contact to come forward, the Treasury's letter to the Committee on 30 May 2013, explained why advertising was not brought forward to the summer. However, following the extension of the Scheme to mid-2015, the publicity campaign has been brought forward relative to the extended end date, and advertising commenced in the national press in October 2013. By increasing the time the most difficult to trace policyholders have to respond, together with additional tracing methods, the Treasury believes these steps should maximise the total number of eligible policyholders who receive a payment under the Scheme.

# **Eighteenth Report**

## **Ministry of Defence**

### **Carrier Strike: the 2012 reversion decision**

#### **1: Committee of Public Accounts conclusion**

The Carrier Strike programme comprises two new aircraft carriers, the aircraft that will operate from them, and a new helicopter-based early warning radar system (known as 'Crowsnest'). As part of the 2010 Strategic Defence and Security Review, the department decided to change the type of aircraft to be flown from the carriers from the Short Take-Off and Vertical Landing (STOVL) variant of the Joint Strike Fighter to the carrier variant. In 2010 the decision was justified by claiming the alternative aircraft would both save money and enhance capability.

In May 2012, the department asserted that the benefits expected from switching to the carrier variant of the aircraft would not be achieved, the costs of switching would be significantly higher than projected, and it would delay the operation of the new carriers. Accordingly, the department decided to revert to the original aircraft type and announced that it would once again be buying the STOVL variant. That change of mind will cost the taxpayer at least £74 million more, though final costs will only be known in 2014.

1.1 On the basis of a report by the NAO, the Committee took evidence, on 20 May 2013, from the Ministry of Defence on the 2012 reversion decision of the Carrier Strike. The Committee published its report on 3 September 2013.

#### **Resources**

- NAO report: *Carrier Strike: the 2012 reversion decision* - Session 2013-14 (HC 63)
- PAC report: *Carrier Strike: the 2012 reversion decision* – Session 2013-14 (HC 113)

#### **Government response to the Committee**

#### **2: Committee of Public Accounts recommendation**

**For the 2015 Strategic Defence and Security Review, the department must plan now to provide decision makers with improved information, sufficient time to consider options rationally and avoid repeating the mistakes of the 2010 decision.**

2.1 The Government agrees with the Committee's recommendation.

#### **Recommendation implemented.**

2.2 Preparations for SDSR 2015 are already well underway within MOD, with a wide-ranging programme of research and activity to define the future strategic context, consider the policy options in response, and to test the continued validity of Future Force 2020 in order to build an evidence base that will support decision making during the next SDSR.

2.3 The department has introduced more stringent measures to improve the governance process and all aspects of the Carrier Enabled Power Projection (CEPP) Programme have been reviewed to better inform the decision making process in the future. As part of the strengthened governance arrangements a 3 Star Officer was appointed as the Senior Responsible Owner (SRO) with a 2 Star Officer solely responsible for the Carrier Strike programme aspects. The strengthened governance structure will provide the SRO with timely information on programme progress and risks and will ensure a more robust framework is in place prior to any decisions being made in SDSR15.

#### **3: Committee of Public Accounts recommendation**

**The department must determine its needs and requirements thoroughly and transparently, and then do all it can to stick to these over time.**

3.1 The Government agrees with the Committee's recommendation.

## Recommendation implemented.

3.2 Supporting the improved governance structure an overarching CEPP Policy Statement has been developed along with a new and endorsed Concept of Employment. Acting as a clear head mark for the future development of CEPP, these documents articulate the Programme assumptions and requirements and provide direction for the individual programmes and projects within it and have been released to the USA and France. The governance structure also ensures that the three core programme SROs for the Queen Elizabeth Class (QEC) carriers, Lightning II and Crowsnest, are appropriately held to account, whilst ensuring overall CEPP unity of purpose and effort is maintained.

3.3 Looking to the wider Equipment Plan, the department has established processes for assessing capability requirements and identifying potential solutions. Longer term risks are exposed through annual Capability Audits, which are based on scientific analysis and modelling, and are sequenced to inform decision-making during the ABC planning process. In previous planning rounds (prior to the achievement of an affordable Equipment Plan), the department struggled to find the financial headroom to address any such risks without changing the existing core Equipment Plan. Now, with an affordable programme, the department has the opportunity to fund additional projects without having to disrupt existing plans. In effect, the department's approach has addressed the systemic challenges, and consequences, of a previously overheated Equipment Plan.

### 4: Committee of Public Accounts recommendation

**The department needs to align the delivery of the various component projects of Carrier Strike to make the most effective use of its significant investment. It must provide decision makers with the necessary information to prioritise and allocate appropriate funding for the programme and the support shipping to operate the carriers, as part of the 2015 Strategic Defence and Security Review.**

4.1 The Government agrees with the Committee's recommendation.

**Work in progress:** 2015.

4.2 The department has made progress in aligning the delivery of component projects within CEPP. The formal in-service-date for the Crowsnest early warning radar system will not be set until the 2016 Main Gate investment decision, but it is now expected to deliver an initial operating capability before the first Carrier enters operational service. Lightning II trials are progressing well and remain on track. The Military Afloat Reach and Sustainability tankers are under contract to deliver from 2016 and funding for replacement solid support vessels will be reviewed in SDSR15; however, these latter programmes are not part of the core Carrier Strike programme.

### 5: Committee of Public Accounts recommendation

**The department must seek to minimise outstanding risks as soon as possible and it should, drawing on its experience of other aircraft programmes such as Tornado and Typhoon, exert its influence with international partners to ensure that the support arrangements take full account of UK requirements.**

5.1 The Government agrees with the Committee's recommendation.

## Recommendation implemented.

5.2 The department is already drawing on its experience from Tornado and Typhoon to ensure the support solution meets UK needs and requirements. The department and its associated programme offices also continue to work closely with its international partners with regards to the Lightning II to harmonise the support solution and minimise costs. Embarked flight trials on the USS WASP continue to take place, further de-risking the programme and highlighting the significant potential of the aircraft. The delivery confidence of this highly capable fifth generation aircraft continues to improve and the department will look for further opportunities to develop interoperability initiatives.

## 6: Committee of Public Accounts recommendation

**The department must establish clear cost and time baselines for the completion of the carriers, which the department must use to monitor progress.**

6.1 The Government agrees with the Committee's recommendation.

**Work in progress:** 2013.

6.2 It was clear in 2011 that the Aircraft Carrier Alliance's cost estimate was diverging from the contracted target cost and in May 2012 the Alliance initiated a re-baseline review of the QEC programme. The department has made prudent provision in its Equipment Plan for the cost of the carriers based on its current view of the likely cost outturn. Due to the complexity of the programme, the re-baseline review has been a difficult and lengthy process, which is commercially sensitive. The department will report further once negotiations are completed.

## 7: Committee of Public Accounts recommendation

**The NAO should examine whether the department has the appropriate mix of staff, skills and capability in procuring equipment and support from industry and whether the department's processes for managing contracts are fit for purpose.**

7.1 The Government agrees with the Committee's recommendation although the recommendation is for the NAO to address.

7.2 The department recognises that DE&S does not currently have the appropriate mix of staff, skills and business capabilities to successfully manage and deliver its acquisition projects. The Materiel Strategy Programme is already considering how DE&S can be transformed to become an organisation with significantly greater business capabilities, tools and skills in core functions such as project management, finance, cost estimating and contracting to better deliver acquisition projects. Two options are currently being developed - a Government Owned Contractor Operated entity and DE&S+, a public sector model. A decision between the two models will be taken in summer 2014.

# Nineteenth Report

## Department of Health

### The dismantled National Programme for IT in the NHS

#### 1: Committee of Public Accounts conclusion

Launched in 2002, the National Programme was designed to reform the way that the NHS in England uses information. While some parts of the National Programme were delivered successfully, other important elements encountered significant difficulties. In particular, there were delays in developing and deploying the detailed care records systems. Following three reports on the National Programme by both the NAO and the Committee, and a review by the Major Projects Authority, the Government announced in September 2011 that it would dismantle the National Programme, but keep the component parts in place with separate management and accountability structures. That process has now taken place. In June 2013, the department published a statement on the benefits to date and in future from the programmes that made up the National Programme.

1.1 On the basis of a review by the NAO of the benefits statement and a separate note on NHS care records systems in the North, Midlands and East (Lorenzo), the Committee took evidence, on 12 June 2013, from the Department of Health and the former Chief Executive of the NHS about the current position on the dismantled National Programme. The Committee published its report on 18 September 2013.

#### Resources

- NAO memorandum: *Review of the final benefits statement for programmes previously managed under the National Programme for IT in the NHS*
- PAC report: the dismantled National Programme for IT in the NHS - Session 2013-14 (HC 294)

#### Government response to the Committee

#### 2: Committee of Public Accounts recommendation

**The department must manage the re-set contract with CSC robustly, so that its negotiating position is protected for the future.**

2.1 The Government agrees with the Committee's recommendation.

**Work in progress:** December 2013.

2.2 The department sought to obtain the best possible deal with CSC and is taking steps to ensure robust contract management. These include monthly programme board meetings where the status of the contract will be reviewed to ensure delivery and performance targets are met. The revised contract includes provisions to ensure that if problems arise, sections of the contract can be terminated without jeopardising services that are being successfully delivered. NHS organisations taking new implementations of the Lorenzo system will have to sign a Memorandum of Understanding which sets out their responsibilities to help to protect the department's commercial position.

#### 3: Committee of Public Accounts recommendation

**Given the scale of the sums involved, the department should report to Parliament details of all the additional costs of the National Programme, including legal costs, as soon as they are known.**

3.1 The Government agrees with the Committee's recommendation.

**Work in progress:** March 2014.

3.2 Following the signing of the Revised Project Agreement with CSC on the 4 October 2013, the costs of the National Programme are being updated to reflect the new contractual arrangements. Legal costs were included in the *Final Statement of Benefits for Programmes Previously Managed Under the National Programme for IT* and these will be updated. Costs relating to the Fujitsu arbitration will not be known until the arbitration process reaches a conclusion. The department will update any costs resulting from the outcome of the arbitration when known.

#### 4: Committee of Public Accounts recommendation

**The department should set out how it will support local trusts to secure benefits, and should track and report benefits achieved in the coming period.**

4.1 The Government agrees with the Committee's recommendation.

**Work in progress:** March 2014.

4.2 The department is reviewing its approach to tracking benefits in the NHS. The department has commissioned the Health and Social Care Centre (HSCIC) to review and update by the end of March 2014, the guidance previously provided to NHS organisations by NHS Connecting for Health. The department will also work with the HSCIC to consider how best to support local NHS organisations identify, deliver and report improvement in patient outcomes and more efficient operation. This approach will demonstrate the benefits of deployment of information systems in ways that best meet local needs.

#### 5: Committee of Public Accounts recommendation

**The department should provide the Committee with an annual update of the costs and benefits of the programmes previously managed under the National Programme.**

5.1 The Government agrees with the Committee's recommendation.

**Work in progress:** September 2014.

5.2 The department recognises the Committee's desire for full transparency on costs and benefits, but considers that this needs to be balanced with the potential additional reporting burden for trusts. The department will work with the HSCIC to ensure that as far as possible, the reporting of benefits is a by-product of the efforts of NHS organisations to improve patient outcomes and to operate more effectively. The department is reviewing the costs properly attributable to NPfIT and the issues associated with the realisation of benefits. The department will publish updated information on costs and benefits from 2013-14 by September 2014.

#### 6: Committee of Public Accounts recommendation

**If the department is to deliver a paperless NHS, it needs to draw on the lessons from the National Programme and develop a clear plan, including estimates of costs and benefits and a realistic timetable.**

6.1 The Government agrees with the Committee's recommendation.

**Work in progress:** June 2014.

6.2 The Information Strategy "*The power of information*" and '*Safer Hospitals, Safer Wards*' deliberately avoid prescription in all but a few essential areas and represent a move away from the ambitious nationally held local-service contracts that were part of NPfIT. The department is currently considering how best to capture and promulgate the lessons learned from NPfIT, with the aim of making these lessons available to those involved in future policy making and delivery in this area. The department will work with NHS England and the HSCIC to ensure that clear plans including costs and benefits are drawn up by June 2014.

# Twenty First Report

## Home Office

### Police Procurement

#### 1: Committee of Public Accounts conclusion

In 2010-11, the 43 police forces in England and Wales spent nearly £1.7 billion procuring a wide range of goods and services. The department oversees the police service and central government provides most of its funding. The department is responsible for providing Parliament with assurance on the value for money of police expenditure, but individual forces buy most goods and services independently. So there is an institutional tension between local autonomy and effective value for money in buying everything from uniforms to paper. The recently elected Police and Crime Commissioners are responsible for value for money locally. With reduced central government funding to police forces, both individual forces and the department have recognised the need to make procurement savings, for example through more collaboration between forces.

1.1 On the basis of a report by the NAO, the Committee took evidence, on 5 June 2013, from the Home Office on police procurement. The Committee published its report on 17 September 2013.

#### Resources

- NAO report: *Police Procurement* – Session 2012-13 (HC 1046)
- PAC report: *Police Procurement* – Session 2013-14 (HC 115)

#### Government response to the Committee

#### 2: Committee of Public Accounts recommendation

The Committee welcomes the commitment of the new Accounting Officer to secure better value for money, and urge him to use financial incentives with clear financial penalties to ensure police forces collaborate and purchase together so that they secure better prices and bigger savings through bulk buying.

2.1 The Government agrees with the Committee's recommendation.

#### Work in progress (Police Innovation Fund begins in 2014/15)

2.2 The Police Reform and Social Responsibility Act strengthened the duty to collaborate and established Police and Crime Commissioners (PCC), accountable to the electorate and scrutinised by Police and Crime Panels, providing stronger local accountability and value for money alongside national support for driving savings. Financial pressure provides a driver for collaboration and the Police Innovation Fund will further incentivise action. Her Majesty's Inspectorate of Constabulary (HMIC) highlight areas of good and variable practice and address at force level and by comparison with others, value for money, while the College of Policing supports and promotes efficient working practices.

2.3 As the National Police Procurement Hub (NPPH) improves management information, greater transparency will make the benefits of collaborative deals visible and help prevent bad ones. PCCs have local accountability for value for money, reflected in examples of close scrutiny of force spending.

#### 3: Committee of Public Accounts recommendation

The department's consultation exercise should focus on making available to the public, in a timely fashion and force by force, spending data on standard items to enable comparison between forces, and to enable local electorates, the department and Parliament to hold the Police and Crime Commissioners to account for value for money.

3.1 The Government agrees with the Committee's recommendation.

#### Work in progress (December 2013)

3.2 The Government's approach is to work with HMIC to improve the accessibility and broaden the content of its value for money data, published by HMIC through the Crime Comparator and value for money profiles. This will support public engagement and provide them with information necessary to effectively hold forces to account. In addition, the NPPH Programme will make detailed comparative cost information available to forces and PCCs using dashboards and reports. Consultation with police forces is underway on the provision of expenditure information as part of the Annual Data Requirement from forces.

#### 4: Committee of Public Accounts recommendation

**The department should develop its evidence base to demonstrate to police forces and Commissioners the potential benefits and savings from more collaborative procurement and from using the police procurement hub.**

4.1 The Government agrees with the Committee's recommendation.

**Work in progress:** April 2015.

4.2 The evidence base is being developed as part of the NPPH programme, which will support forces to transact online, increasing the data available to forces for price comparators and helping identify best value. The National Police Procurement Executive (NPPE), acting in its role as delivery arm for the Strategic Police Procurement Board (SPPB), and consisting of procurement professionals from across forces has developed a gateway process that delivers recommended strategies on high value and strategic spend categories. In addition these recommendations provide benchmarking data regarding the value for money of any nationally or regionally approved deal.

#### 5: Committee of Public Accounts recommendation

**The department should determine where the greatest benefits can be achieved through either standardisation or national procurement approaches and set a clear timeframe for forces to come to agreement on these. Where forces fail to reach an agreement the department should be prepared to enforce standard specifications.**

5.1 The Government agrees with the Committee's recommendation.

**Work in progress:** February 2014.

5.2 The SPPB has identified broad categories of expenditure where a national procurement approach is appropriate using existing or planned public sector wide arrangements from the Government Procurement Service or police arrangements put in place by the department or lead forces. The SPPB and NPPE will engage with other national police business area leads to develop standard specifications as part of the gateway process. The department is currently working with policing stakeholders to draft a paper for the SPPB with recommendations for the preferred approach going forward. This paper should be ready by the end of 2013.

#### 6: Committee of Public Accounts recommendation

**The department must act to accelerate progress towards its target for items being bought through the national procurement hub. It should set out in its response to this report actions to renew its strategy and in addition publish comparative data showing improvement in performance over time by each force.**

6.1 The Government agrees with the Committee's recommendation.

**Work in progress:** March 2014.

6.2 The NPPH programme has been developed to accelerate take up and usage of the online marketplace, from which comparative data on usage and performance improvements will be provided to the Committee at six monthly intervals. Since the Committee's report, the department has engaged with forces and Commissioners to harness the strong support for the online marketplace and understand the range of support that is required, reflecting this into the NPPH programme. By April 2015, all forces in England and Wales should be able to transact routinely through the Hub and make more informed purchasing decisions. The department will report back to the Committee in March 2014 with an update on progress.

## 7: Committee of Public Accounts recommendation

**Police Forces should actively promote the supply opportunities that exist to SMEs engaging with individual forces and supplying the Hub.**

7.1 The Government agrees with the Committee's recommendation.

**Work in progress:** February 2014.

7.2 The department estimates approximately 35% of total third party spend is currently with SMEs. In Northumbria, for example, a regional police collaborative contract with a local SME for interpreting services (using a national NHS framework) is valued at £180,000 per annum, providing 28% savings. Forces will be provided with information to help promote to local suppliers (including many SMEs) the benefits and opportunities of using the Hub. The NPPH programme will communicate the benefits of transacting online, including benefits for suppliers by February 2014.

7.3 Police procurement falls within the scope of the wider measures the Government is taking to improve accessibility of public sector procurement to SMEs. This includes regular publication of information on the pipeline of future procurement and consultation on, for example, reducing the burden of pre-qualification questionnaires. PCCs are fulfilling their role in driving value for money by promoting the use of local providers and SMEs.

## 8: Committee of Public Accounts recommendation

**The department should report back on how it will ensure an appropriate level of commercial expertise at both the centre and in individual police forces.**

8.1 The Government agrees with the Committee's recommendation.

**Work in progress:** March 2014.

8.2 The department's Commercial Directorate ensures staff supporting police procurement have appropriate professional qualifications and expertise. Chief constables and PCCs are responsible for recruiting their own staff. They can access centrally provided support arrangements such as the Government's Commissioning Academy programme. The department is supporting forces and PCCs to access training through the Commissioning Academy. To date, four PCCs / force areas have signed up for training with a further three that have applied to participate.

8.3 Working with the Government Procurement Service and the NPPE the department will offer best practice training and refresher courses. The department will undertake a skills and training audit to ensure sufficient expertise across forces. Force collaborations also offer the opportunity to ensure availability of the appropriate breadth and depth of expertise.

## 9: Committee of Public Accounts recommendation

**The department should report back to the Committee in a year's time on progress in responding to the recommendations of both this report and the Comptroller and Auditor General's report, the actions that have been taken locally, and the savings that have been achieved**

9.1 The Government agrees with the Committee's recommendation.

**Work in progress:** October 2014.

9.2 The Government will report back in a year's time on these matters. An interim report will be provided to the Committee in six months.

## Twenty Second Report

### Department for Transport

#### High Speed 2: a review of early programme preparation

##### 1: Committee of Public Accounts conclusion

In January 2012 the department announced its decision to proceed with High Speed 2; the proposed Y-shaped high speed rail network linking London, the West Midlands and the North of England. Phase one, from London to Birmingham, is due to open in 2026 and phase two, from Birmingham to Leeds and Manchester, is due to open in 2033. The indicative budget for the network has now been increased to £42.6 billion plus £7.5 billion for rolling stock. The department is advised and assisted by HS2 Limited, a company that is wholly owned and funded by the department. The department plans to present the High Speed Rail Hybrid Bill, required to provide the necessary powers to construct and operate the line, to Parliament by the end of 2013, with the aim of receiving Royal Assent by the end of March 2015.

1.1 On the basis of a report by the NAO, the Committee took evidence, on 1 July 2013, from the Department for Transport on its preparations for High Speed 2. The Committee published its report on 9 September 2013.

##### Resources

- NAO report: High Speed 2: *a review of early programme preparation* – Session 2013-14 (HC 124)
- PAC report: High Speed 2: *a review of early programme preparation* – Session 2013-14 (HC 478)

##### Government response to the Committee

##### 2: Committee of Public Accounts recommendation

**The department should publish detailed evidence which clearly shows why it considers High Speed 2 to be the best option for increasing rail capacity into London, improving connectivity between regional cities and rebalancing the economy.**

2.1 The Government agrees with the Committee's recommendation.

##### Recommendation implemented.

2.2 At every stage of the programme, the department has developed and reviewed the case for High Speed 2 (HS2). The latest update to the strategic case was published in October 2013. This sets out the evidence for why HS2 is the best option for increasing north-south rail capacity, improving connectivity between regional cities and rebalancing the economy.

##### 3: Committee of Public Accounts recommendation

**The department's decision on phase two, due by the end of 2014, should be based on a business case for the Y-network prepared using up-to-date information and realistic assumptions, particularly on the benefits to business travellers.**

3.1 The Government agrees with the Committee's recommendation.

##### Work in progress: end-2014.

3.2 The Economic Case for HS2 is based upon the department's published transport appraisal guidance. This provides a comprehensive framework for consistent modelling and appraisal by providing key methods, assumptions, and values.

3.3 The economic case for the Y-network has been developed and reviewed at each stage of the project to ensure that it is based on the most up-to-date evidence and assumptions, including on benefits to business travellers. The most recent update was published in October 2013, with the benefit of quality assurance carried out by leading practitioners, including internal reviews, peer reviews, formal audit and independent expert advice.

#### 4: Committee of Public Accounts recommendation

**The department should allocate its contingency allowance to specific risks to the programme to justify the large amount it has set aside for unexpected costs. It should also set out the processes it will use to keep tight control over the use of the contingency allowance.**

4.1 The Government agrees with the Committee's recommendation.

**Work in progress:** further allocation of contingency to parties by Spring 2015.

4.2 The contingency allowance is derived from a quantified risk assessment, in line with Treasury guidance. The department agrees that risks and contingency should be apportioned to those best able to manage them. HS2 Ltd is managing design and construction contingency and the department will manage hybrid Bill contingency. Clear delegation arrangements are in place for management of contingency, including a clear process for managing drawdown, so that contingency is not prematurely eroded. As the scope of the scheme becomes more fixed, the department intends to move towards allocation of contingency to each party based on the risks they manage.

#### 5: Committee of Public Accounts recommendation

**The Accounting Officer should assure himself and advise ministers on whether the department and HS2 Limited can deliver both the Bill and the programme as a whole within the set timetables and to a high standard.**

5.1 The Government agrees with the Committee's recommendation.

**Work in progress:** deposit hybrid Bill in November 2013.

5.2 The department is confident that the hybrid Bill can be delivered to time and to a high standard. A swift passage through Parliament is possible, but this will depend to a considerable degree on the House Authorities and Members of the House.

5.3 The department continues to advise Ministers on the department's and HS2 Ltd's delivery programme. The programme is subject to regular internal and external assurance that informs the Senior Responsible Officer, Accounting Officer and Ministers on delivery confidence and management of risk.

#### 6: Committee of Public Accounts recommendation

**The department should set out how and by when it will secure the right level of resources and mix of expertise to enable it to oversee a programme of this magnitude, and challenge HS2 Limited and its contractors effectively.**

6.1 The Government agrees with the Committee's recommendation.

**Work in progress:** March 2014.

6.2 Getting the right people in the right place at the right time is a key priority for the programme. A dedicated resource manager has been appointed to develop a Resource Management Plan to enable the Senior Responsible Officer and the senior team to manage resources efficiently and effectively. In addition, a workforce strategy is being developed to enable a strategic approach to the recruitment, development and retention of key senior staff with the necessary skills and expertise. Both the department and HS2 Ltd have developed succession plans in response to a recommendation from a recent MPA review.

## Twenty Fourth Report

### Department for Culture, Media & Sport

#### Rural Broadband Programme

##### 1: Committee of Public Accounts conclusion

The Programme is designed to help get superfast broadband to areas, predominately rural, where commercial broadband infrastructure providers currently have no plans to invest. Under the Programme the department provides grant funding to 44 bodies (local authorities or groups of authorities) to subsidise them to procure the superfast broadband services for their areas. The department has developed a framework contract for local bodies to use and also offers them support in negotiating with the supplier to provide the infrastructure required to fill in the gaps in commercial coverage. The department has allocated £490 million in grant funding to local authorities for the Programme until 2015 and is also seeking matched funding from local authorities and capital investment from the supplier, BT.

1.1 On the basis of a report by the NAO, the Committee took evidence, on 17 July 2013, from the Department for Culture, Media and Sport; Ofcom; BT; UK Broadband; the Independent Networks Co-operative Association (INCA); and Talk Talk on the rural broadband programme. The Committee published its report on 26 September 2013.

##### Resources

- NAO report: *The rural broadband programme* – Session 2012-13 (HC 535)
- PAC report: *The rural broadband programme* – Session 2013-14 (HC 474)

##### Government response to the Committee

##### 2: Committee of Public Accounts recommendation

The department should not spend any of the further £250million of public money until it has developed approaches to secure proper competition and value for money for improving superfast broadband after 2015.

2.1 The Government disagrees with the Committee's recommendation.

2.2 The department agrees that delivering value for money is vital, but disagrees that its existing approach failed to deliver value for money or meaningful competition. The NAO recognised that the Government's current approach reduced cost and transferred risk to the private sector. Local projects either conducted their own competitive procurements or used the procurement framework developed by the department through a competitive process.

2.3 The department is currently engaging with industry and local bodies on options for extending superfast coverage to inform the department's future approach. This includes full consideration of the scope for competition; however, securing value for money must remain the top priority as part of the department's overriding objective to deliver the Government's commitment as cost effectively as possible.

##### 3: Committee of Public Accounts recommendation

Before contracts are awarded for additional broadband coverage from 2015, using the additional £250 million, the department should improve its modelling work and, when negotiating levels of private sector investment, the department should push for contributions that take account of the long-term value of the assets to the supplier.

3.1 The Government disagrees with the Committee's recommendation.

3.2 The recommendation misunderstands the nature of the 'gap funding' model, where a public contribution tops up the commercial investment case to a level that makes a project commercially viable. The NAO recognised in its report that the department's approach had reduced public cost and risk to Government. The department will continually seek to refine its modelling based on available information on

what the market can deliver. As part of its consultation with the industry on how to extend superfast coverage, the Government is exploring a range of commercial delivery options.

#### **4: Committee of Public Accounts recommendation**

**The department should insist on a higher standard of cost transparency before contracting. Where contracts are not yet signed for the current Programme, the department should secure BT's agreement to improve cost transparency, for example by omitting the non-disclosure agreement between local authorities.**

4.1 The Government disagrees with the Committee's recommendation.

4.2 The Committee's report is incorrect in claiming that limits to transparency over BT's costs at bid stage are a risk to value for money. Indeed, the NAO stated that the approach taken reduced cost and transferred risk from Government to the private sector. Achieving value for money is a priority which is why the department put in place multiple safeguards, recognising that assurance over bid costs would never be sufficient by itself as a value for money control. BT will only be paid for incurred eligible expenditure, evidenced by invoices and linked to key deliverables set out in contracts. BT cannot claim for unspent contingency and must provide full transparency for actual costs incurred. The NAO concluded that the approach to managing in-life costs appeared robust.

#### **5: Committee of Public Accounts recommendation**

**The department should set out how it has assured itself that local authorities will be adequately resourced and supported to carry out adequate checks on BT's costs and take-up rates during the project.**

5.1 The Government agrees with the Committee's recommendation.

#### **Recommendation implemented.**

5.2 The department agrees that monitoring of actual costs and actual levels of take-up will require close attention and is providing support to all local authorities and devolved administrations in this regard. The department has put in place local project managers to work directly with individual local projects during implementation. Additional support includes dedicated workshops, provision of templates and guidance, and one-to-one support. The department's support to local projects will continue throughout the programme's implementation.

#### **6: Committee of Public Accounts recommendation**

**The department should, as a matter of urgency, publish BT's detailed roll-out plans so that other suppliers can get on with trying to reach the remaining 10% of the population that will still be without superfast broadband.**

6.1 The Government disagrees with the Committee's recommendation.

6.2 The department agrees with the Committee's views that roll out plans should be published. However, as these projects are led by local authorities and the devolved administrations it is a matter for these bodies to publish roll out plans under the Rural Broadband Programme. The Secretary of State wrote to local authorities and the devolved administrations in July encouraging them to publish information on the expected coverage from their projects. Most local projects have now done this, recognising that the finalisation of detailed network plans is phased across local authority areas, and will be subject to some revision up until that point. The department welcomes BT's indication at the Committee hearing of its willingness to support this process.





Published by TSO (The Stationery Office) and available from:

**Online**

[www.tsoshop.co.uk](http://www.tsoshop.co.uk)

**Mail, Telephone, Fax & E-mail**

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-Call: 0845 7 023474

Fax orders: 0870 600 5533

Email: [customer.services@tso.co.uk](mailto:customer.services@tso.co.uk)

Textphone: 0870 240 3701

**The Houses of Parliament Shop**

12 Bridge Street, Parliament Square

London SW1A 2JX

Telephone orders: 020 7219 3890/General enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: [shop@parliament.uk](mailto:shop@parliament.uk)

Internet: <http://www.shop.parliament.uk>

**TSO@Blackwell and other accredited agents**

ISBN 978-0-10-187442-7



9 780101 874427