



HM Treasury

# Treasury Minutes

**Government responses on the Forty Fifth to the Fifty First and the Fifty Third to the Fifty Fifth reports from the Committee of Public Accounts: Session 2013-14.**

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# Treasury Minutes

## Government responses on the Forty Fifth to the Fifty First and the Fifty Third to the Fifty Fifth reports from the Committee of Public Accounts: Session 2013-14.

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

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TREASURY MINUTES DATED 19 JUNE 2014 ON THE FORTY FIFTH TO THE FIFTY FIRST AND THE FIFTY THIRD TO THE FIFTY FIFTH REPORTS FROM THE COMMITTEE OF PUBLIC ACCOUNTS: SESSION 2013-14.

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# Forty Fifth Report

## HM Treasury

### Excess Votes 2012-13

#### Committee of Public Accounts report summary

Excess Votes forms part of the framework of Parliamentary control over Government spending. Resource-based Supply requires departments to estimate and manage the financial resources they need during each financial year on an accruals basis for commitments to provide services, and on a cash basis to meet commitments as they mature. Parliament authorises departments' proposed cash spending and use of resources.

Resource-based Estimates reflect accruals and non-cash consumption of resources, such as depreciation. A cash limit is also voted by Parliament. A breach of any of the budgetary control limits or the cash limit results in the need for the expenditure to be regularised through the Parliamentary Excess Votes process. In 2012-13, Parliament granted total net resources of £515.3 billion and total cash of £455.9 billion in Supply Estimates to 50 vote funded bodies.

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

The table below shows the excesses incurred in 2012-13. Parliament is being asked to approve additional budget for the excess reported in this table. This is the Government response to the Committees report.

Department	Capital DEL		Cash	
	Excess £	Amount to be voted £	Excess £	Amount to be voted £
Department for Communities and Local Government	1,141,000	1,141,000	55,456,000	55,456,000
Food Standards Agency (Westminster)	48,000	48,000		
<b>Total</b>		<b>1,189,000</b>		<b>55,456,000</b>

Ministry of Defence Resource DEL <sup>1</sup>	Excess £	Amount to be voted £
2012-13	1,000	1,000
2011-12	1,000	1,000
2010-11	1,000	1,000
2009-10	1,000	1,000
2008-09	1,000	1,000
2007-08	1,000	1,000

#### Background resources

- PAC report: *Excess Votes 2012-13* - Session 2013-14 (HC 1068)

<sup>1</sup> This reflects the need to revise the Ministry of Defence's DEL Expenditure Ambit to reflect increases in the maximum numbers of personnel to be maintained in a specific service category.

### **1-2 and 4-5: Committee of Public Accounts conclusions:**

*In 2012–13, the Department for Communities and Local Government breached its Net Cash Requirement Estimate Parliamentary Control total by £55.5 million. The Department for Communities and Local Government also exceeded its Capital Local Government Departmental Expenditure Limit by £1.1million. The Food Standards Agency breached its Capital Departmental Expenditure Parliamentary Control total by £48,000. The Ministry of Defence exceeded its Votes A maximum numbers of personnel to be maintained for service in the Special Members of the Reserves Naval Forces*

#### **Recommendation:**

*Under the terms of the Standing Order of the House of Commons number 55(2)(d), the Committee recommends that Parliament provides the additional resources by means of an Excess Vote.*

1.1 The Government agrees with the Committee's recommendation.

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

#### **Recommendation:**

*Given the size of the excesses in recommendations 1 and 2, the Department for Communities and Local Government should write to the Committee setting out what action the department has taken to avoid exceeding its allocated resources in future.*

3.1 The Government agrees with the Committee's recommendation.

#### **Recommendation implemented.**

3.2 The Department for Communities and Local Government will separately write to the Committee setting out what actions will be taken to avoid exceeding their allocated resources in the future.

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

*The Ministry of Defence only avoided a £395 million breach of its Annually Managed Expenditure by not charging the full value of impairments to its Net Operating Costs.*

#### **Recommendation:**

*The Ministry should write to the Committee setting out what controls and processes they have in place to consider the implications of its accounting treatments, and ensure it fully understands and respects the impact on resources voted by Parliament.*

6.1 The Government disagrees with the Committee's recommendation.

6.2 Under the Government Financial Reporting Manual (FRoM), where impairment arises from a clear consumption of economic value or service potential, the loss should be recognised immediately and taken to the net operating cost section of the Statement of Comprehensive Net Expenditure. In cases where there is no clear consumption of economic value or service potential then the loss is written off against the Revaluation Reserve until the carrying amount of the asset reaches the level of depreciated historical cost. The FRoM guidance is a departure from the International Accounting Standards, which allows the loss to be recognised against the reserves.

6.3 Therefore, as the department does not believe that these impairments are due to clear consumption of economic value, nor loss of service potential, it wrote £907 million off against the revaluation reserve. It would have been inappropriate to use the Supplementary Estimate process to request additional resources to manage the impairment through Annually Managed Expenditure (AME). This treatment was discussed and agreed with the Treasury, who are the authority for Government accounting policy.

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

#### **Recommendation:**

*The Treasury should continue to regularly monitor the progress departments are making against their Estimates during the year and, where possible, take appropriate action to prevent bodies exceeding their provision. The Treasury should also take stock on an annual basis of what lessons can be learnt from the prior year's excesses and the effectiveness of the spending controls in place and whether or not these need to be strengthened and where necessary issue revised guidance to supply financed entities.*

7.1 The Government agrees with the Committees recommendation.

**Recommendation implemented.**

7.2 The Treasury will continue to monitor the progress departments are making against their Estimates during the year, and where possible take appropriate action to help prevent bodies exceeding their provision. The Treasury daily monitors all departmental drawings of supply cash from the Consolidated Fund. This is achieved using established and robust controls that without fail prevent departments from drawing amounts of supply cash that exceed the net cash requirements authorised by Parliament in the Estimates and Supply and Appropriation Acts.

7.3 Whenever a department does attempt to draw down supply cash that exceeds what is available, the Treasury immediately alerts the department to the situation, and also directs that the appropriate Spending Team is contacted as a matter of urgency. Spending Teams are also alerted internally by Treasury colleagues, so that early consideration can be given to the use of the Contingencies Fund to help bolster departmental cash flows.

7.4 In 2012-13, excluding the token Ministry of Defence excesses reported between 2007-08 and 2012-13, there were just two excesses. This is considerably less than the six excesses reported in 2011-12. It is clear from the nature of the breaches in 2012-13 that since the Clear Line of Sight initiative was introduced in 2011-12, it has helped to improve in-year financial management. In addition to Clear Line of Sight, the Treasury has introduced the On-line System for Central Accounting and Reporting (OSCAR) to improve and standardise both data quality and reporting methods.

7.5 The Treasury continues to update and issue guidance, such as the *Consolidated Budgeting Guidance* and *Improving Spending Control*, to emphasise financial management; the importance of maintaining firm in-year control; provide clarification on voted limits; outline consequences of breaches to controls; and promote departmental monitoring and the sharing of spending information with the Treasury. The Treasury's Review of Financial Management in Government also made recommendations in December 2013 intended to improve financial management in the public sector.

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

**Recommendation:**

**In 2011-12, three departments incurred excesses (Department for Education, Department for Energy and Climate Change, and Department for International Development). The Committee asked each of these departments to provide a note setting out the actions they had taken to avoid an excess in the future. However, only the Department for Education has replied. It is not acceptable for departments to ignore the Committees requests for information. The Committee still expects the two departments to respond to the previous request and, in addition, to explain why our request was not taken forward at the time.**

8.1 The Government agrees with the Committee's recommendation.

8.2 Both the Department for Energy and Climate Change, and the Department for International Development have separately written to the Committee setting out what actions will be taken to avoid exceeding their allocated resources in the future (Committees report: *Excess Votes 2011-12*).

# Forty Sixth Report

## Department of Health

### Emergency admissions – managing the demand

#### 1: Committee of Public Accounts conclusion

***In 2012-13, there were 5.3 million emergency admissions to hospitals, an increase of 47% over the last 15 years. Two thirds of hospital beds are occupied by people admitted as emergencies and the cost is approximately £12.5 billion. NHS trusts and NHS foundation trusts, primary, community and social care and ambulance services work together to deliver urgent care services. Since April 2013, A&E services have been commissioned by clinical commissioning groups, which are overseen by NHS England. However, it is the Department of Health that is ultimately responsible for securing value for money for this spending.***

1.1 On the basis of a report by the NAO, the Committee took evidence, on 18 December 2013, from the Department of Health and NHS England on emergency admissions to hospital. The Committee published its report on 4 March 2014. This is the Government response to the Committee's report.

#### Background resources

- NAO report: *Emergency admissions to hospital: managing the demand* - Session 2013-14 (HC 739)
- PAC report: *Emergency admissions to hospital* - Session 2013-14 (HC 885)

#### 2: Committee of Public Accounts conclusion:

***It is not clear who is accountable for the performance of local urgent and emergency care systems, and for intervening when local provision is not working effectively.***

#### Recommendation:

***In response to this report, the Committee expects the department to confirm that it is responsible for the overall performance of urgent and emergency care; and set out how it will challenge local performance, step in when this performance is substandard and enforce beneficial local changes to save money and provide a better service when local agreement cannot be reached.***

2.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2015.

2.2 The Department of Health is responsible for overall performance on urgent and emergency care. This responsibility is delivered through NHS England and other arm's length bodies (ALBs), which it holds to account for delivery. The department scrutinises ALBs performance on emergency care through several processes including periodic assurance reports; weekly delivery meetings between Ministers, Chief Executives and ALB senior officials; monthly accountability meetings at official level and bi-monthly accountability meetings at Ministerial and Chair level.

2.3 The department sets NHS England objectives for commissioning emergency care. NHS England published its business plan for 2014-15<sup>2</sup> which explains how it proposes to achieve its objectives for this year. NHS England commissions urgent in-hours access to primary care and emergency specialist care. Clinical Commissioning Groups (CCGs) commission the majority of urgent and emergency care services locally, including hospital and community services. Emergency care is delivered by providers who are overseen by Monitor and the NHS Trust Development Authority, with the Care Quality Commission overseeing quality standards.

2.4 NHS England holds CCGs to account for commissioning emergency care services through a comprehensive assurance process. CCGs and NHS England performance manage delivery of standards by providers through commissioning contracts. NHS England, Monitor and TDA have put in place national and regional tripartite arrangements to enable them jointly to oversee performance in local health economies.

<sup>2</sup> <http://www.england.nhs.uk/wp-content/uploads/2014/03/ppf-1415-1617.pdf>

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

*Financial incentives across the system are not aligned, which undermines the coordination of care across the system.*

#### **Recommendation:**

*The department, NHS England and Monitor should review the overall system for funding urgent and emergency care, including the impact of the 'year of care' funding, to ensure that incentives for all organisations are coherent and aligned.*

3.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2015.

3.2 The department holds to account NHS England and Monitor, who are developing a system for reimbursement for urgent and emergency care focussing on providing safe and sustainable care in the most appropriate setting. This will also re-examine the preferred payment system for unscheduled care. As part of this work, NHS England is working closely with the seven *Early Implementer* sites involved in the Long-Term Conditions Year of Care Programme, and with the Integrated Care Pioneer sites. The lessons from these reviews will be important in developing new payment approaches to improve the management of care for patients with multiple morbidities, who form a high proportion of emergency admissions in winter.

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

*Neither the department nor NHS England has a clear strategy for tackling the chronic shortage of A&E consultants.*

#### **Recommendation:**

*The department and NHS England should urgently develop and implement a strategy which considers all available options and addresses the immediate and longer term shortages of A&E consultants.*

4.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** September 2014.

4.2 In relation to the department and NHS England, within the health and social care system, Health Education England (HEE) has the responsibility (through its Mandate from the Government) for ensuring the security of supply of the professionally qualified clinical workforce in England. The department will hold HEE to account for delivery. HEE is carrying out a number of workforce interventions, which address the current shortages both in the short and long term.

4.3 **Specialty Training:** as part of the national workforce planning process, HEE has agreed to increase the number of Acute Core Common Stem (ACCS) Emergency Medicine (EM) posts to take into account the high attrition rate. HEE will increase (ACCS) EM by 75 posts per year for the next three years. The current ACCS programme has offered a run through option as part of the initiative and 88% of trainees have chosen to switchover.

4.4 **Multi-professional Workforce:** HEE is working to strengthen the multi-disciplinary team in the emergency department, including supporting the development of Advanced Clinical Practitioners, Physician Associates and Pharmacy roles.

4.5 **Overseas Development:** HEE is currently developing the Overseas Development Project in joint collaboration with the College of Emergency Medicine. The primary objective is to facilitate placement of about 50 overseas doctors to ease the service gaps in Emergency Medicine as an interim stage prior to the additional ACCS posts gaining the requisite skills and training. Recruitment will take place in India in May 2014 and will fill vacant middle grade rota posts from August 2014.

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

*The Committee is not convinced that additional funding from the department to support A&E services during winter has been used to best effect.*

#### **Recommendation:**

*The department should evaluate promptly the impact of additional winter pressure money allocated for 2013-14 and the timing of when the money became available, and use this analysis to inform the early and effective allocation of this fund in 2014-15.*

5.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2015.

5.2 NHS England, Monitor, the NHS Trust Development Authority and the Association of Directors of Adult Social Services are evaluating the impact of non-recurrent funding made available for winter 2013-14. Spending has been closely monitored through the winter period and a full analysis will be undertaken after final submissions are returned in April 2014.

5.3 In 2014-15 the system will move away from monies specifically directed towards delivery over the winter period, and towards a system of year-round operational resilience and capacity planning. The department will make an announcement on the monies available to the system for 2014-15 by June 2014, alongside guidance published by NHS England, working as a national tripartite alongside Monitor, the NHS Trust Development Authority and the Association of Directors of Adult Social Services, containing the methodology for allocations. This will support the NHS and its partner organisations to inform better developed plans to maintain effective delivery of high-quality services for patients.

**6: Committee of Public Accounts conclusion:**

*The Committee welcomes the proposed shift to 24/7 consultant cover in hospitals, but is concerned about the slow pace of implementation and the lack of clarity over affordability.*

**Recommendation:**

*The department should act with urgency to establish the costs and affordability of this measure and develop a clear implementation plan.*

6.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2015.

6.2 NHS England is leading the work on assessing the impact of seven day services. Lack of rapid access to senior decision making and supporting diagnostics at weekends is being addressed through the delivery of a set of clinical standards for safe care on every day of the week. They describe the service that patients should expect to receive on every day of the week.

6.3 Implementation of the outcome of this work will be overseen by the Care Quality Commission, Trust Development Authority and Monitor. NHS England will use a range of incentives, rewards and sanctions to support NHS adoption of the standards to a challenging timetable. These include contracts, the payment system, inspection and assurance, measurement and transparency, and education commissioning. By 2016-17 all clinical standards should be incorporated into national quality requirements in the NHS Standard Contract with appropriate contractual sanctions in place for non-compliance, as for other high priority service requirements.

**7: Committee of Public Accounts conclusion:**

*Commissioners and urgent care working groups lack the quality data needed to manage the emergency care system more effectively.*

**Recommendation:**

*NHS England should ensure that reliable information is available across the urgent and emergency care system and that local information is published collectively in one place.*

7.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2015.

7.2 The Health and Social Care Information Centre (HSC IC) collects and publishes data on activities and indicators such as HES A&E, emergency admissions, emergency re-admissions. The HSCIC will decide, in conjunction with stakeholders, the best way of disseminating their data. NHS England publishes its data on Urgent and Emergency Care on its website: for example weekly A&E and monthly ambulance and NHS 111 data. NHS England will work with HSCIC in order to help signpost each other's work. NHS England is also developing a platform, the Integrated Intelligence Tool, to deliver data services, providing a single version of aggregated data on performance for NHS England and the wider commissioning system.

# Forty Seventh Report

## Cabinet Office

### Contracting out public services to the private sector

More and more public services are being contracted out to private and voluntary providers. The Government spends £187 billion on goods and services with third parties each year, around half of which is estimated to be on contracting out services.

On the basis of two reports by the NAO, the Committee took evidence, on 20 November 2013, from G4S; Capita; Serco; and Atos. The Committee also took evidence, on 25 November 2013, from the Cabinet Office; Ministry of Defence; Ministry of Justice; and the Department of Health on Government contracts and how the Government manages its suppliers. The Committee published its report on 14 March 2014. This is the Government response to the Committees report.

#### Background resources

- NAO report: *The role of major contractors in the delivery of public services* - Session 2013-14 (HC 810)
- NAO report: *Managing Government suppliers* - Session 2013-14 (HC 811)
- PAC report: *Contracting out public services to the private sector* - Session 2013–14 (HC 777)

#### 1-2: Committee of Public Accounts conclusion:

**Transparency: there needs to be far greater visibility to Government, Parliament and the public about suppliers' performance, costs, and revenues.**

#### Recommendation:

**Cabinet Office should mandate the use of open-book accounting for contracts above an agreed level of expenditure.**

1.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** end of 2014.

1.2 The Government believes that open book accounting for appropriate contracts can be beneficial – indeed some departments, particularly the Ministry of Defence (MOD), have already used open book accounting to strengthen their oversight of certain contracts enabling better value for money to be secured. The Cabinet Office will work with departments over the next six months to trial the wider use of open book accounting and to identify the sorts of contracts and the enhanced departmental capability necessary to secure the maximum benefit from open book accounting. The results of this trial will be reviewed autumn 2014 with a view to mandating open book accounting for contracts where the evidence suggests it will enhance value for money, without disproportionately affecting SMEs.

#### Recommendation:

**Cabinet Office should develop guidance for departments on how and when to use open-book accounting.**

1.3 The Government agrees with the Committee's recommendation.

**Target implementation date:** end of 2014.

1.4 The Cabinet Office will provide full support and guidance to departments to help officials apply open book clauses effectively during the trial period and will continue to provide guidance after the trial period to improve open book arrangements. The Cabinet Office will also trial the use of the new Model Services Contract published in January 2014. The Government will review its use and consider any improvements to it in light of the trial period to conclude autumn 2014, with a presumption in favour of using it as the basis for appropriate contracts. The contract provides some guidance on its use and the department will provide further support and guidance to departments to ensure they apply open book clauses effectively.

**Recommendation:**

***Cabinet Office should explore how the FOI regime could be extended to cover contracts with private providers, including the scope for an FOI provision to be included in standard contract terms.***

1.5 The Government agrees with the Committee's recommendation.

**Target implementation date:** end of 2014.

1.6 Where public services are delivered by external providers, the Government expects the contractors to assist public authorities fully in meeting the current obligations of the Freedom of Information Act (FOI). The Government worked closely with the NAO on the review of major government contracts held with Serco and G4S in 2013. In future, the Government is keen to see as much disclosure of performance information as possible under the contracts. To test how best to achieve this, the Government will work with the CBI to agree key principles for greater transparency by autumn 2014, including improving the publication of contracts on Contracts Finder.

1.7 A new Code of Practice (for FOI) will be issued autumn 2014. Its success will be reviewed and agreed across the Government where it relates to contractors. If necessary, at that time, the Cabinet Office will consider whether other changes (including the formal extension of the Freedom of Information Act) might be needed. In addition, having further considered the issue, the steps taken above will achieve the necessary level of transparency without creating new mandatory requirements on special severance payments by private contractors related to public services.

**Recommendation:**

***Cabinet Office should ensure that the Comptroller and Auditor General has adequate access rights to contractors.***

1.8 The Government agrees with the Committee's recommendation.

**Target implementation date:** end of 2014.

1.9 The Cabinet Office agrees that it is important that the C&AG has adequate access rights to contracts. Departments are already required to provide information on contracts to the NAO where required. In addition, the Model Services Contract includes rights of access (through the contracting authority in each case) for auditors, including the NAO. The Cabinet Office will issue guidance to departments to recommend that appropriate clauses are contained in contracts and, when there has been a failure in performance, how the C&AG could be given access to existing contracts, which do not contain this right.

**Recommendation:**

***Neither the Cabinet Office, nor departments, should routinely use commercial confidentiality as a reason for withholding information about contracts with private providers. A clear explanation for any exceptions must be provided and the Cabinet Office should check that departments are treating disclosure as their default position.***

1.10 The Government agrees with the Committee's recommendation.

**Target implementation date:** end of 2014.

1.11 Commercial confidentiality should not be inappropriately used to withhold information. Some information held by Government will be commercially sensitive and require careful handling to protect Government's long term commercial interests. But the presumption should always be in favour of disclosing information wherever possible. Therefore, the Government will in future require departments to provide a high level explanation of any redactions in their contracts when they are published.

**Recommendation:**

***Cabinet Office should set out a plan for departments to publish routinely standard information on their contracts with private providers including, for example, contract duration, value and performance against key indicators.***

1.12 The Government agrees with the Committee's recommendation.

**Target implementation date:** end of 2014.

1.13 The Cabinet Office introduced *Contracts Finder*<sup>3</sup> in January 2011 to improve transparency, helping smaller firms bidding for work and enabling citizens to hold the Government to account. Departments are now required to publish contracts over £10,000. Building on this success, the Crown Commercial Service is procuring a replacement for *Contracts Finder* to expand its capability and make it easier for people to use, including the use of improved search functionality.

**3-6: Committee of Public Accounts conclusion:**

***Contract management and delivery: central Government's management of private sector contracts has too often been very weak.***

**Recommendation:**

***Cabinet Office should provide guidance to departments on how to ensure that contractors, of any size, have effective governance and internal controls over all aspects of their operations.***

3.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** end of 2014.

3.2 The Government routinely sets requirements for governance and internal controls, when contracts are let, and bidders are expected to fully satisfy the procuring authority these are in place. The Cabinet Office will be publishing further guidance to support implementation of the Model Services Contract, which embodies a core set of expectations and commercial mechanisms to ensure that suppliers deliver best value to Government.

**Recommendation:**

***Cabinet Office should provide guidance and support to ensure the terms of contracts properly protect both the taxpayers' interest and the service users' legitimate expectations.***

3.3 The Government agrees with the Committee's recommendation.

**Target implementation date:** end of 2014.

3.4 Some guidance does already exist to support procurement teams across Government. The Cabinet Office will be publishing further guidance to support implementation of the Model Contract, which embodies a core set of expectations and commercial mechanisms to ensure that Government suppliers deliver best value.

**Recommendation:**

***Cabinet Office should seek to standardise the information that Government requests from contractors as far as possible and improve the consistency, accuracy and efficiency of information collection.***

3.5 The Government agrees with the Committee's recommendation.

**Target implementation date:** end of 2014.

3.6 The Cabinet Office has already established and continues to improve systems to collect and interrogate data from suppliers. This allows the department to engage with suppliers in an intelligent and systematic way. Crown Representatives has enabled the Government to act as a single customer, with a single view of a supplier's business and supplier performance. The Cabinet Office will further improve the consistency and accuracy of information held by Government about strategic suppliers, whilst continuing to minimise the burdens associated with data collection to ensure Government continues to attract new market entrants to increase competition.

**Recommendation:**

***Departments should periodically review and update the performance regime of their major contracts to ensure that they reward or penalise behaviour as appropriate.***

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<sup>3</sup> [www.gov.uk/contracts-finder](http://www.gov.uk/contracts-finder)

3.7 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

3.8 The performance of all major contracts should be kept under regular review by departments individually and on a cross-government basis with the Crown Representatives. *The Cross Government Review of Major Contracts*, published by the Minister for the Cabinet Office in December 2013, examined 28 of the largest contracts held by Serco and G4S worth £5.9 billion in total. It provides clear evidence that contract management in Government requires improvement. There were examples of good practice, but in the majority of cases there were weaknesses in the way contracts were managed.

3.9 The Government has committed to implementing the recommendations of the review. The Cabinet Office has already established a senior board of Crown Representatives chaired by the Chief Procurement Officer, which regularly reviews the performance of suppliers by a RAG system and executes the Strategic Supplier Risk Management policy.

**Recommendation:**

***To encourage good performance, departments should look at the scope for more ways to share the savings from efficiency gains with contractors.***

3.10 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

3.11 Gain share mechanisms can be an effective way of incentivising the right behaviour and there are a number of examples of this being used successfully. It is however crucial to avoid these clauses being 'gamed' and these contracts can therefore require intensive and highly skilled management. Therefore in addition to gain share the Government is supportive of other techniques that achieve similar incentives. Target Cost Incentive Fee (TCIF) is a more innovative pricing mechanism that has been shown to be effective. Similarly, Joint Ventures in which Government retains a stake can produce similar incentives and ensure that Government is able to share in any profits.

**Recommendation:**

***Departments should ensure that the penalties imposed on contractors who fail to deliver reflect the full cost to the taxpayer.***

3.12 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

3.13 The Cabinet Office agrees that contracts should contain provisions for damages, which reflect that commercial norms are appropriate to protect taxpayer interests and incentivise the right behaviour. The Government is now taking a more rigorous and robust approach. Following the material concerns that emerged in 2013, relating to overcharging on Ministry of Justice (MOJ) electronic monitoring contracts, the Government secured agreement from Serco to pay £68.5 million (announced 19 December 2013) and G4S to pay £108.9 million (announced 24 March 2014) to cover direct costs to Government arising from these issues. In addition, the Department for Work and Pensions announced in April 2014 that the Government had successfully negotiated an exit from a major contract with Atos without any compensation being paid to the supplier and reparations being paid to the Government.

3.14 However, contracting routinely on the basis that the full cost to the taxpayer of any delivery failure will be met by the contractor could result in increased costs, deter SMEs and lead to firms withdrawing from the Government marketplace.

**Recommendation:**

***Departments should make full use of their ability to take into account past performance on similar contracts when re-tendering or contracting for new services. Assessment of contractors' performance should also cover their corporate social responsibility policies and their record on corporate taxation.***

3.15 The Government agrees with the Committee's recommendation.

## Recommendation implemented.

3.16 The Cabinet Office prime concern should always be for the Government to consider value for money in the wider sense. Government has launched two substantial new policies to reform the way that it manages the performance of its strategic suppliers. The first ensures that Government as a whole has a mechanism for discussing the performance of key suppliers (the Strategic Supplier Risk Management Policy). The second ensures that departments are able to take past performance into account when awarding new work, a mechanism that did not use to exist. The Government has negotiated further reforms on past performance in the new EU Directives on procurement. In addition, a new policy was launched in 2013 to promote tax compliance. The Crown Commercial Service is working with HMRC and others to monitor the impact.

### **7-8: Committee of Public Accounts conclusion:**

***Competition: There is not enough effective competition in the market for Government business.***

#### **Recommendation:**

***In the short term, departments should review contracts to ensure that in the event of supplier failure, contingency plans are in place for continuity of service and that government is protected financially. They should explore options for amending existing contracts where necessary.***

7.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** end of 2014.

7.2 Under a new programme, established and chaired by the Head of the Civil Service, all departments are now reviewing their contingency planning for the most critical, high impact contracts to ensure that plans are in place to deliver services in the event of supplier failure and to ensure that Government is protected financially. This is being led jointly by the Cabinet Office and the Treasury.

#### **Recommendation:**

***In the longer term the Cabinet Office and departments should do more to encourage diverse markets. For example: departments could split up contracts and be required to set out specific actions to encourage SMEs and new entrants in particular markets either as primary bidders, sub contractors or part of consortia.***

7.3 The Government agrees with the Committee's recommendation.

## Recommendation implemented.

7.4 The Cabinet Office is implementing a range of reforms to encourage the widest possible range of suppliers including SMEs, to compete for public sector contracts. For example, in January 2014, the Government announced new rules for IT contracts to ensure maximum taxpayer value, encourage competition in the sector and free the Government from longstanding inflexible contracts with IT providers. These rules include a presumption against IT contracts over £100 million; no automatic contract extensions; and no new hosting contracts lasting more than two years. The Government continues to execute these controls to encourage competition and a presumption against extensions.

7.5 The Cabinet Office is also encouraging the development of public service mutual's because of the benefits they bring to public sector staff, local commissioners and service users. By freeing employees to deliver and improve their services as they know best, mutual's enable innovation, and because they feel more engaged, staff are likely to stay longer with the organisation and miss fewer days of work. Around 90 are already live and trading including MyCSP and Shared Services Connected Ltd, together delivering over £1.5 billion of public services. In addition, spin-outs are a mechanism for established international players to enter the UK market, such as Arvato – the Government's Joint Venture partner on the first of its new independent shared service centres.

#### **Recommendation:**

***Departments should increase competitive pressure by reducing contract duration and extending contracts only by exception – balancing the need for stability and incentives for contractors to invest in improvement with the scope for savings from increased competition.***

7.6 The Government agrees with the Committee's recommendation.

## Recommendation implemented.

7.7 The Cabinet Office is taking action to increase competitive pressure, including by introducing a presumption in favour of competition and against contract extensions. The control process introduced in 2010 has been particularly important to give this process 'teeth' and all contracts with strategic supplier's worth more than £5 million require approval from the Minister for the Cabinet Office.

### **9-10: Committee of Public Accounts conclusion:**

***Capability: Government does not currently have the expertise to extract the greatest value from contracting to private providers.***

#### **Recommendation:**

***Cabinet Office and departments should ensure that there is appropriate Accounting Officer and board level engagement in all major contracting decisions.***

9.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** end of 2014.

9.2 One of the key recommendations of the *Cross Government Review* into major contracts in 2013 was appropriate Accounting Officer and board level engagement in all major contracting decisions. All departments are required to ensure there is adequate senior level assurance given to contract change mechanisms and check that there is a good connection between finance and commercial teams at stage during the life of a contract.

#### **Recommendation:**

***Cabinet Office and departments should invest in developing experience and expertise in commercial issues and contract management.***

9.3 The Government agrees with the Committee's recommendation.

**Target implementation date:** end of 2014.

9.4 The Government has identified commercial capability as one of the four priority areas for improvement in its Civil Service Reform Programme. The Cabinet Office is taking forward a programme of work to support departments in raising commercial capability across Government including strengthening the functional leadership of the commercial profession and recruiting over 50 new senior commercial people, and focussing resources on the right place in the procurement lifecycle to maximise value. This builds upon the successful Commissioning Academy work with senior commissioners from across the public sector, which will have 1500 graduates by 2016. This work is led by the Crown Commercial Service under the Chief Procurement Officer.

#### **Recommendation:**

***Cabinet Office should explicitly require departments to ensure that those who are responsible for day-to-day contract management have sufficient authority, commercial skills and experience. This includes having the expertise to put open-book accounting into practice.***

9.5 The Government agrees with the Committee's recommendation.

**Target implementation date:** end of 2014.

9.6 The Cabinet Office will provide additional and full support and guidance to departments to help officials manage contracts effectively. This work will supplement and sit alongside core work to reform the civil service and improve commercial skills across Government. The *Cross Government Review of Major Contracts* also recommended that department puts strong contract management plans in place and this is being taken forward by a joint Cabinet Office and Treasury Review of commercial capability in departments.

#### **Recommendation:**

***Cabinet Office should strengthen the Crown Representative initiative, ensuring sufficient coverage across Government bodies and major suppliers, providing them with the time and support necessary.***

9.7 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

9.8 The Cabinet Office established a Crown Representatives network in 2011 and has already helped deliver hundreds of millions of pounds in savings by engaging with potential and existing Government suppliers on behalf of the taxpayer. In March 2014, the Government appointed a further six experienced business leaders to join the existing group of 15 Crown Representatives. The new representatives bring a wide range of business knowledge to government, including expertise in high-level consultancy, banking and telecommunications. The Cabinet Office is continuing to recruit senior business leaders to develop the programme further.

**11: Committee of Public Accounts concern:**

***Public service standards: Contractors have not consistently demonstrated the high ethical standards expected in the conduct of public business.***

**Recommendation:**

***Departments should include a standard term in contracts requiring suppliers to have whistleblowing policies in place. This should require contractors to nominate designated officials within departments to receive disclosures from whistleblowers.***

11.1 The Government disagrees with the Committee's recommendation.

11.2 The existing legal framework provides substantial protection for whistleblowers who wish to report suspected wrongdoing at work, with a nominated person in each Government department in accordance with the Public Interest Disclosure Act 1998. The framework prohibits employers from treating whistleblowers unfairly if they make a disclosure in the public interest and enables them to notify a prescribed person or body if they do not believe that they can tell their employer. The Government expects all suppliers to fully implement the spirit of this legislation and is reviewing whether further clauses are needed in Government contracts. The Government does not believe additional contractual terms are required.

**Recommendation:**

***Cabinet Office needs to be clearer with firms which seek to win government contracts that they are public sector itself. It should set specific expectations which include transparency, the treatment of service users and employees, and ethics.***

11.3 The Government disagrees with the Committee's recommendation.

11.4 Public services carried out by third party providers should be performed to the same standards of integrity, honesty and fairness as those performed by the public sector. To this end, it is for departments to be clear about their expectations of suppliers when entering into contractual arrangements and in ongoing supplier relationship discussions.

**Recommendation:**

***Cabinet Office and Government bodies should ensure that Government's expectations are then built into standard contract terms.***

11.5 The Government disagrees with the Committee's recommendation.

11.6 It is important that Government strikes the right balance between ensuring these standards of behaviour and not seeking to micro-manage the way in which services are delivered by different providers or the entirety of a supplier's operations. The Government is not persuaded of the need for additional guidance at this stage, but will keep this under review in the light of work currently being undertaken by the Committee on Standards in Public Life.

# Forty Eighth Report

## Department for Communities and Local Government

### Council Tax Support

#### 1: Committee of Public Accounts conclusion

*In April 2013, the department transferred responsibility for Council Tax support to 326 local authorities. The department had four main objectives for this policy: to transfer the system to local control; to make savings; to protect vulnerable people; and to support work incentives for claimants created by the Government's wider welfare reforms. Each local authority now has a duty to design and implement a local Council Tax support scheme. Previously Council Tax Benefit, a national scheme, had been claimed by five million people in 2011-12, at a cost of £4.3 billion. Alongside transferring responsibility, the department also reduced funding to local authorities for Council Tax support by 10% in 2013-14, delivering a £414 million saving for central Government. Local authorities have differed in how much of the reduced funding they have passed on to claimants through reduced entitlements.*

1.1 On the basis a report by the NAO, the Committee took evidence, on 20 January 2014, from the Department for Communities and Local Government on Council Tax Support. The Committee published its report on 11 March 2014. This is the Government response to the Committees report.

#### Background resources

- NAO report: *Local Council Tax Support* - Session 2013-14 (HC 882)
- PAC report: *Council Tax Support* - Session 2013-14 (HC 943)

#### 2: Committee of Public Accounts conclusion:

*The department's interventions to ensure that local authorities' Council Tax support schemes support all four of its policy objectives have been inconsistent.*

##### **Recommendation:**

*The department should develop a coherent set of guidelines which set out the extent of local authorities' discretions and obligations, and how the department will respond when it considers that local authorities' actions jeopardise the achievement of its objectives, especially on welfare reform and incentives to work.*

2.1 The Government agrees with the Committee's recommendation.

#### Recommendation implemented.

2.2 The department ensures that local authorities are aware of their discretions and obligations. It has issued guidance<sup>4</sup> setting out how different aspects of local council tax support operate, provided a £100 million transition grant to promote well-designed schemes and maintain work incentives; and updated the guidance on vulnerable people to specify that child maintenance payments should be excluded from income calculations. In 2013-14, most local authorities maintained or improved the work incentives which applied under council tax benefit.

#### 3: Committee of Public Accounts conclusion:

*The department does not yet fully understand the combined impact of the new Council Tax support schemes and other welfare changes on the demand for local services and the funding of local authorities.*

##### **Recommendation:**

*The department should assess the combined impact of Council Tax support and other welfare changes on demand for local authority services and the funding of local authorities to help inform Government's future decisions on funding changes affecting local authorities, including how the impact varies across local authorities.*

3.1 The Government agrees with the Committee's recommendation.

<sup>4</sup> <https://www.gov.uk/government/collections/localising-council-tax-support>

**Target implementation date:** 2015-16.

3.2 The department is working closely with the Department for Work & Pensions (DWP) on a range of welfare reform issues – for example, both departments have jointly met with local authority chief executives to better understand the impact of the welfare reforms on the ground and to help resolve any implementation issues. In addition, both departmental Directors meet regularly to discuss welfare reform.

3.3 Since 2011-12 the department has published spending power figures which look at the income available to local councils from a wide range of sources, and measure the cumulative impact of any changes affecting them. This work is complemented by DWP who evaluate the various welfare reforms and release regular statistics on households affected by these reforms. Obtaining a good understanding of impacts is critical work ahead of future spending settlements

**4: Committee of Public Accounts conclusion:**

*The department's funding of local authorities' additional costs resulting from the introduction of local Council Tax support is based on estimates that do not cover all the costs.*

**Recommendation:**

*The department should work with local authorities, using data from the first year of the schemes, to recalculate its funding of local authorities' additional burdens, including recurrent increases in collection costs.*

4.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** 2014-15.

4.2 In 2014-15, the department will be working with DWP to consider the allocation of the Local Council Tax Support Administration Subsidy and to understand the on-going costs of administering, reviewing and revising Council Tax support schemes. The three-year review will also include consideration of the efficiency of local schemes. The new burdens funding covers consultation and design of schemes, appeals, IT costs and communication. It does not cover collection costs. Local authorities need to take this into account when considering and costing options for scheme design each year. If local authorities choose to set support at a level which they anticipate will lead to increased collection costs, then they will need to account for this in costing their scheme.

**5: Committee of Public Accounts conclusion:**

*The department does not have enough information about what impact local scheme choices have had on vulnerable groups.*

**Recommendation:**

*The department should collect information that supports a comprehensive analysis of the financial impact of Council Tax support schemes on vulnerable groups, including the number of people and types of claimants affected, and regional variations.*

5.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** 2015-16.

5.2 The Local Government Finance Act 2012 requires the Secretary of State to make provision for an independent review of all council tax reduction schemes. It is important to identify appropriate and proportionate data for this review, and the department is currently working with the Council Tax Partnership Forum and local authorities to do so.

**6: Committee of Public Accounts conclusion:**

*Ensuring that Council Tax support schemes interact effectively with Universal Credit is a significant challenge for the departments involved.*

**Recommendation:**

*DCLG and DWP must develop and publish clear plans for establishing data sharing arrangements between Universal Credit and Council Tax support schemes.*

6.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** 2016-17.

6.2 DCLG, DWP and local authorities are working closely together to develop data sharing arrangements and to make sure that the savings which can be made through data sharing will be realised. The exact timetable for this will depend on the programme for roll-out of Universal Credit.

**7: Committee of Public Accounts conclusion:**

*The department's planned review of Council Tax support is an opportunity for it to reassess the programme and ensure it meets the Department's objectives.*

**Recommendation:**

*The department must set out a timetable and terms of reference for an independent review, which should include coverage of the points we have raised. It must also establish and collect the information the review will need, both to answer the questions set by legislation, and to assess the extent to which the department has met its policy objectives for this reform.*

7.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** 2015-16.

7.2 The Local Government Finance Act 2012 requires the Secretary of State to 'make provision for an independent review of all council tax reduction schemes made under the provisions of this Act: to consider their effectiveness, efficiency, fairness and transparency and their impact on the localism agenda, and to make recommendations as to whether such schemes should be brought within universal credit. The review will take place within three years of the Local Government Finance Act 2012 coming into effect, as set out in legislation. The department is currently working with the Council Tax Partnership Forum and local authorities to identify appropriate and proportionate data for the review. The timetable, coverage, process for data collection and detailed terms of reference will be agreed and published in due course.

# Forty Ninth Report

## Home Office

### Confiscation Orders

#### 1: Committee of Public Accounts conclusion

*Confiscation orders are the main way through which the government carries out its policy to deprive criminals of the proceeds of their crimes. The intention is to deny criminals the use of their assets and to disrupt and deter further criminality, as well as recovering criminals' proceeds. The Home Office leads on confiscation policy, but many other bodies are involved including the police, the Crown Prosecution Service and HM Courts and Tribunal Service. The overall system for confiscation orders is governed by the multi-agency Criminal Finances Board. The annual cost of administering confiscation orders is some £100 million. In 2012-13 the amount confiscated was £133 million.*

1.1 On the basis of a report by the NAO, the Committee took evidence, on 15 January 2014, from the Home Office, National Crime Agency, HM Courts and Tribunals Service and The Crown Prosecution Service on the value for money of administration of confiscation orders. The Committee published its report on 17 December 2013. This is the Government response to the Committees report.

#### Background resources

- NAO Report *Public Order, Justice and Rights: Confiscation Orders* - Session 2013-14 (HC 738)
- PAC Report *Public Order, Justice and Rights: Confiscation Orders* - Session 2013-14 (HC 942)

#### 2: Committee of Public Accounts conclusion:

*Poor implementation of the confiscation order scheme has severely hampered its effectiveness.*

##### Recommendation:

*The Criminal Finances Board should develop and implement its improvement plan urgently. This plan should include well-defined objectives and success measures so that practitioners can prioritise criminal cases and orders and be able to understand and measure success beyond amounts collected. The plan should also include project milestones that the Board can use to assess progress.*

2.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** March 2015.

2.2 The Department has developed an improvement plan, which has been agreed with the Criminal Finances Board (CFB). The plan has 11 key objectives (see Annex A), with clear milestones and objectives for delivery. The CFB, which meets quarterly, will also track the progress of the plan to ensure agencies meet their commitments and milestones are delivered. Developing more sophisticated measures of success, beyond solely the amounts collected and the numbers of orders granted, is an integral part of the improvement plan.

#### 3: Committee of Public Accounts conclusion:

*Not enough confiscation orders are imposed.*

##### Recommendation:

*Law enforcement and prosecution agencies need to agree and apply a common set of criteria to ensure that they consider consistently and properly all crimes with a financial gain for confiscation orders.*

3.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** end of 2014.

3.2 The Crown Prosecution Service (CPS) is leading on work with operational partners to develop guidance for investigators and prosecutors when there is a requirement to make consistent decisions on cases where restraint and confiscation orders should be sought. This will include overarching prosecution strategies for asset recovery, restraint, confiscation and receivership.

3.3 The CPS is working with the National Policing Lead (NPL) and the College of Policing (COP) for lower value cases, which will use alternative asset recovery tools such as compensation, restitution and deprivation orders under the Powers of Criminal Courts (Sentencing) Act 2000; forfeiture orders under the Misuse of Drugs Act; and other relevant legislation. This strategy will help to free up financial investigators to undertake more complex investigations leading to an increase in the amount recovered in the longer term.

3.4 This guidance will be published by July 2014 and will be embedded through joint training by the end of 2014. The guidance will also be published on the COP website in the *Authorised Professional Practice* section and will become part of the continuous professional development requirement for financial investigators and financial investigation officers.

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

***Not enough is being done to enforce confiscation orders once they have been made, especially in higher value cases***

##### **Recommendation:**

***Law enforcement agencies should work together to ensure that financial investigators are brought in early in high value cases and use restraint orders quickly to prevent criminals hiding their illegal assets. The Crown Prosecution Service and National Crime Agency should also report to the Criminal Finances Board on the enforcement progress of its priority cases.***

4.1 The Government agrees with the Committee's recommendation.

**Target Implementation date:** end of 2014.

4.2 The National Crime Agency (NCA), Crown Prosecution Service (CPS), HM Courts and Tribunals Service (HMCTS) and the Serious Fraud Office (SFO) provided a joint report to the Criminal Finances Board (CFB) in March 2014 on the progress being made to enforce the identified priority cases. The CFB will continue to monitor the progress of this work. Work continues with the planned joint operational guidance to identify case types where financial investigators should be deployed at the earliest possible stage. Additionally, there is a criminal finances strategy in place for all NCA cases investigating high priority organised crime groups, and a joint strategy with the NCA and COP to raise the profile of financial investigation for law enforcement.

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

***The incentive scheme to encourage the many bodies involved to confiscate proceeds of crime is opaque and ineffective***

##### **Recommendation:**

***The current incentive scheme for bodies involved in confiscation orders should be revised to ensure it is aligned with the success measures and objectives set out in the new Criminal Finances improvement plan and to link effort and reward. The Home Office should also ensure that there is proper reporting on the use made of scheme funds.***

5.1 The Government agrees with the Committee's recommendation.

**Target implementation:** end of 2014.

5.2 The Criminal Finances improvement plan includes a commitment to look at the Asset Recovery Incentivisation Scheme by the end of 2014 to ensure that it works effectively. This will include consideration of how best to incentivise operational agencies. Greater transparency on the use of funds provided to all agencies under the Scheme will be addressed through formal reporting to the Criminal Finances Board.

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

***The bodies involved with confiscation orders do not have the information they need to manage the system effectively***

##### **Recommendation:**

***All the bodies involved in confiscation need to develop a better range of cost and performance information to enable them to prioritise effort and resources to best effect. They also need to improve their existing ICT systems and their interoperability, as well as cleanse the data they hold.***

6.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** 2015.

6.2 The Crown Prosecution Service (CPS) is working on a bespoke set of performance measures, which will be shared with their criminal justice partners. These measures have been devised to encourage behaviours leading to more effective asset recovery. The CPS is also considering putting some of their cases through a cost analysis, and introducing time recording systems to help support the collation of this data.

6.3 The Government will be providing funding for enhancements to the Joint Asset Recovery Database (JARD), which is the primary source of performance data on asset recovery and has agreed a new longer term basis for funding the running costs. The NCA will run a data cleansing exercise on the database. The CFB will monitor the development of enhancing ICT systems across asset recovery.

**7: Committee of Public Accounts conclusion:**

***The sanctions imposed on offenders for failing to pay confiscation orders do not work***

**Recommendation:**

***The Home Office, in conjunction with the Ministry of Justice, must set out how, and by when, it will strengthen the confiscation order sanctions regime. The Joint Committee on the draft Modern Slavery Bill might include this in their deliberations.***

7.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** May 2015.

7.2 The Serious and Organised Crime Strategy strengthens sanctions for those who do not pay their confiscation orders. The department will look to legislate as soon as Parliamentary time allows to increase the maximum prison term for non-payment of a confiscation order. Given that default sentences must be served consecutively to the original prison sentence, this increase aims to make defendants pay their outstanding orders, rather than choose to go to prison, particularly for the higher value orders.

### **Criminal Finances Improvement Plan 2014**

The Serious and Organised Crime Strategy, published in October 2013, aims to reduce the level of serious and organised crime. The immediate priority is to prosecute and relentlessly disrupt organised criminals. The Strategy identifies attacking criminal finances as a priority.

#### **Objective 1: enforcement and clearing the stock of unenforced orders**

This will be achieved by operational agencies working together to analyse the stock of unenforced orders, and through the Ministry of Justice exploring options for selling off unenforceable debt to the private sector.

#### **Objective 2: to ensure the Home Office has effective powers**

The Home Office will lead work to legislate, as soon as Parliamentary time allows, to strengthen the Proceeds of Crime Act 2002.

#### **Objective 3: to maximise the use of financial investigation techniques to disrupt serious and organised criminals**

The National Policing Lead, working with the National Crime Agency and other partners, will develop a programme of work to improve tasking and co-ordination, and ensure that financial investigation techniques are considered at the start of every organised crime investigation. This will ensure that financial investigation is not seen as a specialist, ancillary process to be addressed post conviction.

#### **Objective 4: to drive up performance on cash forfeiture**

This will be achieved by sharing good practice and improving the intelligence picture.

#### **Objective 5: improve Court processes**

This will be achieved by considering specialist judges or courts, and secondary legislation, to allow for lower-value confiscation orders to be granted in the Magistrates' Courts.

#### **Objective 6: to work with the private sector to maximise asset recovery**

This will be achieved at all stages of the asset recovery process.

#### **Objective 7: to strengthen our ability to recover assets hidden overseas**

This will be achieved through identification of priority countries and increased use of asset sharing agreements.

#### **Objective 8: To ensure ARIS works effectively**

This will be achieved by exploring what effective incentives are appropriate, and opportunities for increasing funding for frontline agencies, communities and victims.

#### **Objective 9: cross-cutting – improved administrative processes and ICT**

The National Crime Agency is leading on a programme to modernise the Joint Asset Recovery Database. HM Courts and Tribunals Service will lead work to ensure that new criminal justice systems are co-ordinated.

#### **Objective 10: cross-cutting – performance and governance**

The Criminal Finances Board will develop new metrics to monitor the disruptive effect of criminal finance activity beyond the value and volume of orders made.

#### **Objective 11: To improve public and internal communications on financial investigation and criminal finances**

This will be achieved through better understanding of the criminal finances agenda by the public, Police, Crime Commissioners and senior law enforcement.

## Fiftieth Report

### Department for Culture, Media and Sport

#### Rural Broadband Programme

#### 1: Committee of Public Accounts conclusion

*When the Government published its response to the Committees September 2013 report on the rural broadband programme, the Committee was disappointed to see that the Department for Culture, Media and Sport had failed to engage constructively with the Committees conclusions and recommendations. The Committee recalled the department and BT to give further evidence in January 2014.*

1.1 On the basis of a report by the NAO, the Committee took evidence, on 27 January 2014, from the Department for Culture, Media and Sport, and BT on improving cost transparency, facilitating the publication of detailed broadband rollout plans, and ensuring that supplier contributions reflect the long term value of the asset it is receiving. The Committee published its report on 1 April 2014. This is the Government response to the Committees report.

#### Background resources

- NAO report: *Rural Broadband Programme* - Session 2013-14 (HC 535)
- PAC report: *Rural Broadband Programme* - Session 2013-14 (HC 834)

#### 2: Committee of Public Accounts conclusion:

*There is still not enough consistently good information published by local bodies about planned rural broadband coverage and speed.*

##### Recommendation:

*The department should work urgently with all local authorities to publish detailed mapping of their implementation plans, enabling searches down to full (7-digit) postcode level. The information should include speed of service, as soon as that is available.*

2.1 The Government agrees with the Committee's recommendation.

#### Recommendation implemented.

2.2 The department fully supports the publication of 7 digit postcode level maps to allow communities and other suppliers to find out when local areas will have access to superfast broadband speeds. The department provided further guidance to all local authorities in February 2014. The department is also working closely with BT Group and the local bodies to encourage them to publish up to date local roll out plans as a matter of priority.

#### 3: Committee of Public Accounts conclusion:

*The department failed to act on our recommendation to secure a higher standard of cost transparency before the remaining contracts were signed.*

##### Recommendation:

*The department should collect, analyse and publish costs data on deployment costs in the current programme, to inform its consideration of bids from suppliers under the next round of funding.*

3.1 The Government agrees with the Committee's recommendation.

#### Recommendation implemented.

3.2 The department shares the Committee's desire for a high level of cost transparency. In accordance with the requirements of each commercial contract between the supplier and the local body, all implementation costs are provided to the local bodies; and the supplier is only paid on the basis of actual costs. In addition, BDUK has access to all cost data and is actively analysing this to provide project cost comparisons and other aggregate level analysis to local bodies, and to highlight areas of best practice or areas of concern. This process will also be used to inform local bodies' evaluation of bids for Phase 2 of the programme. The department cannot publish this data yet, for reasons of commercial confidentiality.

**4: Committee of Public Accounts conclusion:**

*The Committee reiterate its previous conclusion that the department's procurement approach failed to deliver meaningful competition.*

**Recommendation:**

*Before the next round of funding is released, the department should work with local authorities to identify opportunities to promote competition and value for money; including considering alternative solutions, joint working and fair capital contributions from suppliers.*

4.1 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

4.2 Securing value for money for the Superfast Broadband Programme, including fair supplier contributions, is a key priority for the department. Local bodies either conduct their own competitive procurements or use the Broadband Delivery UK procurement framework, which was developed through a competitive process. The NAO has confirmed that the in-life controls over costs in the procurement framework appear robust. BDUK has received 26 bids for market test projects under Phase 3 of the Superfast Broadband programme, which is looking at alternative ways to provide near universal coverage. The department will announce the contracts for these projects at the end of June 2014.

## Fifty First Report

Department for Communities and Local Government / Department for Work and Pensions

### Programmes to help families facing multiple challenges

#### 1: Committee of Public Accounts conclusion

*In 2006, the Government estimated that there were 120,000 families in England facing multiple challenges, such as unemployment and poor housing. It subsequently included other challenges, such as crime and antisocial behaviour. The estimated cost to the taxpayer of providing services to support these families is £9 billion a year, of which £8 billion is spent reacting to issues and £1 billion in trying to tackle them.*

*In 2012, DCLG and DWP each introduced separate programmes to help these families. DCLG's Troubled Families programme, with a central government budget of £448 million, aims to 'turn around' all 120,000 families by May 2015. DWP's Families with Multiple Problems programme, with a budget of £200 million, seeks to move 22% of those joining the programme into employment by March 2015. Both programmes look to support families rather than individuals and to join up the activities of local service providers, who receive payment-by-results.*

*DCLG pays local authorities up to £4,000 for each family that they have "turned around". The judgement is based on ensuring children attend school, reducing youth crime and antisocial behaviour, and supporting adults into continuous employment. DWP pays contractors for tackling the barriers that clients face to finding employment, such as reducing antisocial behaviour and domestic violence, and for clients obtaining a steady job.*

1.1 On the basis of a report by the NAO, the Committee took evidence, on 29 January 2014, from the Department for Communities and Local Government and the Department for Work and Pensions on their work to help families facing multiple challenges. The Committee published its report on 4 April 2014. This is the Government response to the Committees report.

#### Background resources

- NAO report: *Programmes to help families facing multiple challenges*- Session 2013-42 (HC 878)
- PAC report: *Programmes to help families facing multiple challenges* - Session 2013-14 (HC 668)

#### 2: Committee of Public Accounts conclusion:

*The good practice evident in DCLG's Troubled Families programme, demonstrates how central and local government agencies can work together effectively.*

##### Recommendation:

*DCLG should identify good practice on how central and local agencies work together on its Troubled Families programme to secure a joined-up approach to local delivery. It should share this widely across the public sector, particularly in areas such as the health and social care sectors, where effective delivery at a local level relies on the coordination of multiple agencies.*

2.1 The Government agrees with the Committee's recommendation.

#### Recommendation implemented.

2.2 The department agrees sharing good practice is important and will build on the substantial amount it already does to improve performance continually. The Troubled Families Team frequently visits and communicates with local authorities to understand their practice and share learning across areas. This relationship between the Team and local agencies is at the heart of how the programme works. The department has published three reports highlighting local practice and sharing emerging evidence – *Listening to Troubled Families*, *Working with Troubled Families* and the *Cost of Troubled Families*. The ongoing independent evaluation of the programme will also identify best practice.

2.3 The department hosts regular events for Troubled Families Coordinators and local partners. During autumn 2013, around 550 people were brought together over six events to share learning and good practice.

The most recent national event for all 152 Troubled Families Coordinators was held in May 2014. Together with the Local Government Association, the department offers an online forum for all Troubled Families Coordinators, analytical colleagues and DWP's Jobcentre Plus secondees. This currently has over 770 registered users.

**3: Committee of Public Accounts conclusion:**

*The two programmes to help troubled families were designed and implemented separately, resulting in confusion and a lack of integration, and contributing to lower than expected performance during the early stages.*

**Recommendation:**

*The Government should learn lessons from the approach taken in this case to ensure that there is integrated policy making and implementation within, and across departments. The Government should agree a clear plan for delivery of the next phase of DCLG's Troubled Families programme, from 2015.*

3.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** May 2015.

3.2 Since the launch of the Troubled Families programme, a new Implementation Unit has been set up in the Cabinet Office to focus on the implementation of priorities across Government, working in partnership with other departments. Integration of policy making is reinforced through the Economic and Domestic Affairs Secretariat and through Cabinet committees, including the Social Justice Committee. There is also a dedicated officials group and informal ministerial group that discusses the application of payment by results across different policies.

3.3 There will be a clear plan for delivery of the next phase of the Troubled Families programme. Since the Spending Round announcement, the Troubled Families Team has been working with local areas and departments to design the detail of the expanded programme. The 2014 Budget announced the highest performing areas will be able to work with up to 40,000 additional families a year early during 2014-15, and the remaining areas will begin working with families on the expanded programme from April 2015 onwards.

**4: Committee of Public Accounts conclusion:**

*The departments will not meet their targets without increasing the rate at which they have been succeeding in their work with troubled families.*

**Recommendation:**

*The departments must ensure that performance in each local authority, and by each contractor, is scrutinised to properly manage the contracts giving appropriate support where appropriate, but also imposing sanctions where necessary.*

4.1 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

4.2 Since the start of 2014, DWP has implemented a strengthened performance management regime – delivered by a team solely focused on the European Social Fund (ESF) Families provision. DWP has expanded the range of Management Information used to manage performance, including use of monthly cohort data to help monitor performance improvements over time. DWP continues to hold monthly contract performance reviews with providers and has held two national provider forums this year. DWP has a range of contractually supported actions it can introduce where provider performance remains below expected levels. Additionally, DWP have seconded 157 Employment Advisers to Local Authorities to focus on improving work outcomes for Troubled Families.

4.3 The Troubled Families programme represents a new way of working with local government. There is not a contractual relationship for this programme. It is an agreement, a partnership between central and local government with shared goals and ambition. Performance is scrutinised by the Troubled Families Team, which has extensive contact and positive relationships with the local authorities delivering the programme. The team offers support and constructive challenge as necessary. The programme remains on track. Councils have identified over 111,000 families, are working with over 97,000 and have turned around the lives of more than 39,000 families.

**5: Committee of Public Accounts conclusion:**

***Efficient and effective data sharing is required for the programmes to be delivered successfully.***

**Recommendation:**

***The departments should develop and disseminate clear guidance to local authorities. This should set out the data that local authorities can legally share and what practical steps they can take to overcome cultural barriers to sharing data among local agencies involved in delivery, alongside helping local authorities to meet their remaining legal responsibilities for data protection and confidentiality.***

5.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** May 2015.

5.2 DCLG and DWP have already made huge strides forward with data sharing for the Troubled Families programme. This includes DWP providing comprehensive local data sharing guidance with scenario based advice on what information can be shared and with whom. The Financial Framework for the Troubled Families programme sets out clear guidance to local authorities. Additionally, the Centre of Excellence for Information Sharing, launched April 2014, is a local-national partnership supporting places to improve their information sharing. The Centre is funded by Government departments and is providing on the ground expertise and developing local capacity around data sharing.

5.3 DCLG is working with other government departments and local authorities on the expanded programme to understand what information is needed, why it's needed and the solutions that need to be in place to allow local authorities to access and use that information. This work includes considering whether legislative responses are required, similar to the agreement DCLG has reached with DWP, for the current Programme.

**6: Committee of Public Accounts conclusion:**

***The departments need to demonstrate that the programmes deliver value for money.***

**Recommendation:**

***Both departments should publish, alongside details of the programmes' progress against their respective targets, details of the wider benefits and financial savings that they have identified. They should make clear what proportion of any financial savings are cash savings.***

6.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** May 2015.

6.2 An independent fiscal evaluation of the Troubled Families programme is currently underway, led by the National Institute of Social and Economic Research. The Troubled Families Team will shortly make available an online a cost benefit analysis tool that all local authorities can use to evidence cost savings achieved through the programme. The Team will be providing practical support and guidance to areas to support them to make best use of this powerful tool.

6.3 DCLG published the *Cost of Troubled Families* report in January 2013. It showcases the work of 16 local authorities who were able to evidence real cost savings to local services and helps make the case to other areas about how they can achieve a similar impact.

6.4 DWP has commissioned Ecorys to evaluate the ESF Families Provision. The evaluation, to be published autumn 2014, will outline lessons learnt from the approach to funding, the use of progress measures, and will help DWP understand how to work effectively with the client group in the future. Whilst the information is unavailable to calculate net impact based on a counterfactual it will still allow DWP to address how the provision has added valued and made a difference to the lives of families.

## Fifty Third Report

### Ministry of Justice and National Offender Management Service

#### Managing the prison estate

#### 1: Committee of Public Accounts conclusion

*The Agency, part of the Ministry of Justice, is responsible for the prison system in England and Wales which holds around 84,000 prisoners. The prison estate consists of some 130 prisons of varying layout, geographical location, age and state of repair. Prisons also vary in the type of prisoner they hold and the activities they offer. The prison population has stabilised since the late 2000s, allowing the Agency to take a more strategic approach to the prison estate. The main factor behind the Agency's estate strategy, of closing small costly prisons and building new accommodation which is cheaper to run, is the need to make recurring savings. Under the strategy, the Agency had by the end of 2013, closed 13 prisons and built two new prisons and a new prison block in an existing prison. The Agency has little control over the prison population, except through its role in rehabilitating prisoners to prepare them for release at the earliest opportunity and in assisting in the removal of foreign national prisoners.*

1.1 On the basis a report by the NAO, the Committee took evidence, on 11 February 2014, from the Ministry of Justice on managing the prison estate. The Committee published its report on 25 April 2014. This is the Government response to the Committees report.

#### Background resources

- NAO report: *Managing the Prison Estate* - Session 2013-14 (HC 735)
- PAC report: *Managing the Prison Estate* - Session 2013-14 (HC 1001)

#### 2: Committee of Public Accounts conclusion:

*The Agency has achieved significant savings in running costs and made considerable progress towards meeting its other objectives for the prison estate.*

#### Recommendation:

*The Ministry of Justice should use the Agency's management of the prison estate to develop a best practice case example in achieving cost reductions, which the Treasury should ensure is disseminated widely across Government.*

2.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** December 2014.

2.2 The successful delivery of the prison estate strategy was based on a departmental-wide approach. While the National Offender Management Service (NOMS) was the owner of the strategy and responsible for delivering the operational aspect, the department, through Estates, was responsible for the design, build, and finance of the new capacity. Additionally, analysts in both NOMS and the department worked together to identify appropriate sites. Work was undertaken to pull together the various players and identify how each contributed individually, and then work together as a single team. A close working relationship was developed by attending the respective boards and working parties of each team member. Strategies and plans were adjusted in the light of circumstances and as necessary to help form a cohesive team.

2.3 The strategy for managing the prison estate was one of those selected to be showcased for the *Successful Projects in Government* conference in March 2014. The material for the conference will form the basis for future dissemination across Government.

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

*The two new large contracted-out prisons have performed poorly since they opened, and they do not appear to give sufficient priority to meeting offenders' rehabilitation needs.*

#### **Recommendation:**

##### **The Agency should:**

- a) *identify the reasons for the poor performance of the large prisons and address these as a matter of urgency, including operating the prisons as though they were small prisons located on the same site, with shared services.*
- b) *work with the contractors at HMP Oakwood and HMP Thameside, to achieve a performance rating of 4 for 2014-15. If either prison fails to achieve this target, the Agency should write to the Committee to set out the reasons for the lower rating and the steps it is taking to improve performance.*
- c) *ensure the factors that resulted in the poor performance at these prisons, particularly HMP Oakwood, are not replicated at the new prison being built in Wrexham.*
- d) *monitor the level of good-quality purposeful activity provided by each prison, and use this information to increase the quality and quantity of purposeful activities to reach a level deemed acceptable by HM Chief Inspector of Prisons. As a first step, the Agency should satisfy the Chief Inspector that the quantity and quality of purposeful activity across the prison system has increased by the end of 2014-15.*

3.1 The Government agrees with the Committee's recommendations a, c and d, as far as they relate to an establishment's performance but does not agree that this is necessarily caused by its size. The Government disagrees with the Committee's recommendation b.

#### **Recommendation 3a implemented.**

3a.1 Performance improvement plans have been put in place at HMP Oakwood and HMP Thameside. One of the key aspects is the development of staff experience and confidence given that both prisons have been operating for only two years. Both prisons are now benefiting from reduced rates of staff turnover, which are reflected in improvements in the day-to-day delivery of services to prisoners.

3a.2 NOMS continues to work with the providers at each site to drive regime and performance improvements within the overall context of efficiency savings and value for money. This takes into account the learning from identified good practice elsewhere (such as in HM Inspectorate of Prison's inspection reports) and data gathered as part of the supporting Measuring Quality of Prison Life research. The NOMS' on-site Controllers continually review the contractors' operating procedures to ensure they are fully in line with NOMS' policy requirements. Wherever possible this work is undertaken with a view to operating the prisons as though they consist of a number of small prisons on the same site.

#### **Recommendation 3b not implemented.**

3b.1 The Government does not agree that the attainment of Level 4 (exceptional performance) is a realistic target for March 2015. The expectation is that both prisons will achieve Level 3 (Good Performance – meeting the majority of targets) by March 2015. Local improvement plans have been put into place at HMP Oakwood and HMP Thameside with the aim of achieving improved ratings under the Prison Performance Ratings System (PRS) during 2014-15. These plans are supported by formal contractual management steps; local delivery is overseen by NOMS' on-site Controllers at each prison. The required performance improvements encompass not just objectives for the prison operators directly, but also their way of working with other sub-contractors and partner organisations locally to deliver offender-facing services and outcomes.

3b.2 Improved performance is already being demonstrated. Both sites have already improved to Level 2 in the provisional Quarter 4 2013-14 PRS rankings, which are due to be confirmed and published by NOMS shortly. Both HMP Oakwood and HMP Thameside are expected to reach Level 3 by March 2015. Level 3 in PRS is the level that the Government expects of a prison that fully meets the requirements of its contract or SLA. The attainment of Level 4 is a longer-term target which the contractors will be continually encouraged to work towards.

**Target implementation date (3c):** February 2017.

3c.1 NOMS will ensure that all of the lessons from the design mobilisation and operation of all recently opened prisons are taken into account by the programme overseeing the development of the new prison in North Wales. The expected opening date for the first sections of the new prison is February 2017.

**Target implementation date (3d):** March 2015.

3d.1 The Agency is committed to improving and increasing the quality of purposeful activity. Hours worked in production workshops in Public Sector Prisons have increased from 10.6 million in 2010-11 to 13.1 million in 2012-13 and the department will continue to monitor progress in 2014-15. However, the Agency cannot guarantee that the quantity of activity will increase to the Chief Inspector's satisfaction as HMCIP 'Expectations' are set without reference to resource requirements or constraints. The department will focus on maximising delivery in line with the available funding and the physical constraints of the prison estate.

**4: Committee of Public Accounts conclusion:**

*The Agency has closed relatively expensive and old prisons, even when they were performing well.*

**Recommendation:**

*When selecting prisons for closure, the Agency should consider prisons' performance and the likely impact on overall performance across the prison estate, in addition to the factors it already considers.*

4.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** March 2016.

4.2 The Agency's strategy is to close prisons that are old, expensive to operate or maintain and do not provide suitable conditions in which to provide modern effective prison services. The Agency will consider prisons' performance in the evaluation process for future prison closures. Performance will be taken into account alongside strategic and cost factors and final decisions will reflect the full economic analysis.

**5: Committee of Public Accounts conclusion:**

*More could be done to reduce the prison population by ensuring prisoners are prepared for release at the earliest opportunity.*

**Recommendation:**

*The Agency should provide more programmes to help prisoners on indeterminate sentences become safe to release.*

5.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** March 2016.

5.2 The Agency is committed to maximising the availability of programmes within available resources and will continue to seek to improve the provision and quality of programmes provided. A wide variety of treatment programme interventions are already available - some targeted generally at living and thinking skills, others focused specifically on treating those with drugs problems or at risk of committing further sexual offences. Approximately 80% of prisoners serving indeterminate sentences for public protection have completed a treatment programme and the department will continue to give appropriate priority for this group. The department has maintained funding for programmes and developed better systems to ensure the most effective programmes are provided and achieve maximum benefit.

5.3 Programmes are important, but usually not sufficient to indicate that a prisoner's risk has reduced such that they can be released. Not all offenders with indeterminate sentences will be suitable for a programme, or at a point in their sentence when they will benefit from an intervention. For some their risk may be better addressed through other services, or public protection arrangements. The Parole Board takes into account all available evidence in making the relevant assessment.

**6: Committee of Public Accounts conclusion:**

*Little progress has been made in reducing the number of foreign national prisoners.*

**Recommendation:**

*The Agency should work with the Home Office to analyse the reasons for delays in removing foreign national offenders, remove barriers to removal, and prepare to make the most of changes such as the ratification of prisoner transfer arrangements across Europe.*

6.1 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

6.2 The Government is committed to reducing the foreign national offender (FNO) prison population. NOMS, MOJ and the Home Office are already working together to address this issue. The FNO Bilateral Steering Group meets on a bi-monthly basis and is responsible for ensuring that the departments work collaboratively to deliver better outcomes in the management of FNOs. The group analyses progress against a long term strategic plan, overseeing a joint plan of work, appointing senior responsible officers for work streams, agreeing priorities and targets for delivery, and monitoring delivery against those targets. Further meetings regularly take place at both a senior strategic and day to day operational level with departments, to establish the reasons for any blockages in the system, and to identify and address the barriers to removal or transfer to improve processes.

# Fifty Fourth Report

Home Office

## COMPASS: Provision of asylum accommodation

### 1: Committee of Public Accounts conclusion

*At any one time, the department provides accommodation for around 23,000 destitute asylum seekers awaiting the outcome of their application to remain in the UK, although this number fluctuates as world events impact on the numbers seeking asylum. The cost of providing this accommodation in 2011-12 was £150 million. In March 2012, the department decided to introduce a new delivery model involving fewer and bigger housing providers than under previous contracts. There are now six regional contracts (known collectively as COMPASS), delivered by three prime contractors (G4S, Serco and Clearel, each of which has two contracts). Only Clearel had previous experience running asylum accommodation. The department, through the introduction of these new contractual arrangements, aims to save around £140 million over seven years. The department has reported savings of £8 million from the new contracts in the first year of their operation.*

1.1 On the basis of a report by the NAO, the Committee took evidence, on 5 February 2014, from the Home Office, Serco, G4S, and Clearsprings on the value for money, and suitability for purpose of Asylum Accommodation. The Committee published its report on 7 April 2014. This is the Government response to the Committee's report.

#### Background resources

- NAO report: *COMPASS: Provision of asylum accommodation* - Session 2013-14 (HC 880)
- PAC report: *COMPASS: Provision of asylum accommodation* - Session 2013-14 (HC 1000)

### 2: Committee of Public Accounts conclusion:

*The department's decision to rely on fewer, larger contractors was risky and has so far led to delays in providing suitable accommodation.*

#### Recommendation:

*The department should not change its contracting model without a clear business case justifying that change. The department should develop a well-informed understanding of the risk appetite associated with such changes.*

2.1 The Government agrees with the Committee's recommendation.

#### Recommendation implemented.

2.2 The department has a comprehensive internal governance and gateway process. All aspects of the department's contracting models, including sourcing and procurement strategies, are agreed through this governance structure and embedded in Home Office procurement policy and procedures.

### 3: Committee of Public Accounts conclusion:

*The transition to the new contracts was poorly managed by the Department and contractors did not inspect the properties they inherited.*

#### Recommendation:

*The department must insist adequate plans are in place for how it will manage the introduction of new contracts, including an understanding of what will be inherited from previous contractors, and clear arrangements for exiting previous arrangements.*

3.1 The Government agrees with the Committee's recommendation.

#### Recommendation implemented.

3.2 The department is committed to successfully implementing new or transitioning contracts. Planning and exit management is always a key element of this and the whole transition process is supported and implemented through a formal Home Office governance and gateway structure supported by tightly controlled processes and underpinned by OGC procurement policy and procedures. The NAO report specifically found that the transition to COMPASS from the previous TARGET contracts was managed successfully overall.

**4: Committee of Public Accounts conclusion:**

*The department has incurred additional costs and so is less likely to achieve the expected savings.*

**Recommendation:**

*The department must re-examine its savings forecasts in the light of the additional costs to make sure these are still realistic and achievable, and make any adjustments that are necessary.*

4.1 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

4.2 The department monitors the progress of the COMPASS project and constantly reviews and re-appraises the project's expected benefits in the light of actual performance and volumes accommodated. The latest benefits review, carried out after the end of the 2013-14 financial year, indicates that savings for that year exceeded those profiled in the original business case. The project remains on target to deliver £136.4 million of financial benefits during its lifetime.

**5: Committee of Public Accounts conclusion:**

*Throughout the contracts - tendering, transition and delivery - the quality of data shared by the department has been poor.*

**Recommendation:**

*The department must clearly understand what data is needed to effectively let and manage contracts such as these, and ensure that such data is available and accurate.*

5.1 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

5.2 The data requirements for each of the department's procurements are agreed through the Home Office governance process. The Home Office is successfully delivering procurements that drive real change through the business and from suppliers, due to the quality of data provided both at tender and through the life of its projects. For COMPASS, the department issues monthly historical data on the number of asylum seekers by local government area to providers and Local Authorities that participate in national dispersal policy. This data is used to review and refresh a regular forecast of asylum flows.

**6: Committee of Public Accounts conclusion**

*The Department did not penalise suppliers for failing to get the contracts up and running in time.*

**Recommendation:**

*The department must design contracts that both incentivise suppliers to be ready to start operating on time and penalise those who fail to deliver.*

6.1 The Government agrees with the Committee's recommendation.

**Recommendation implemented.**

6.2 The department has a comprehensive internal governance and gateway process. All aspects of the department's contracting models including contract management, continuous improvement and performance management strategies are agreed and scrutinised through this governance structure. The department uses Service Credits to incentivise suppliers' delivery and performance (post transition) and COMPASS was no different. Service Credits have been applied according to the agreed contractual model in a robust and transparent manner.

**7: Committee of Public Accounts conclusion:**

***The quality of the accommodation provided by the COMPASS contracts is still not up to standard.***

**Recommendation:**

***The department must conclude quickly any outstanding issues with contractors on payment of penalties for their earlier poor performance, and improve the KPIs against which it will monitor contractors, to ensure this incentivises contractors to provide accommodation that meets the standards required.***

7.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** 4th Quarter 2014.

7.2 Both the department and the providers are committed to resolving any outstanding commercial issues. The issues relevant to each supplier are known and agreed and the vast majority have now been resolved. The department will ensure that the suppliers adhere to the contract, its performance mechanisms and service credit regime. This approach has already led to an improvement in accommodation standards across the contracts and regions. The Performance Mechanisms, contained in the department's contracts, are reviewed throughout the life of a project and in line with continuous improvement provisions to ensure that they continue to drive the right behaviours and incentivise the suppliers.

# Fifty Fifth Report

## Department of Health

### NHS waiting times for elective care in England

#### 1: Committee of Public Accounts conclusion

*NHS patients have the right to receive elective pre-planned consultant-led care within 18 weeks of being referred for treatment. In 2012–13, there were 19.1 million referrals to hospitals in England, with hospital-related costs of around £16 billion. The waiting time performance standards are set by the department, which has overall accountability for service provision and value for money, while trusts' performance against the standards is collated and published by NHS England. The standards introduced in 2008 are that 90% of patients admitted to hospital, and 95% of other patients, should have started treatment within 18 weeks of being referred.*

*Since April 2012 there has also been a standard that addresses the perverse incentive for trusts to focus unduly on patients recently added to waiting lists. In April 2013, NHS England introduced zero tolerance of any patient waiting more than 52 weeks. The latest figures at the time of our hearing showed that all these targets are being met.*

1.1 On the basis of a report by the NAO, the Committee took evidence, on 12 February 2014, from the Department of Health and NHS England on waiting times for elective care. The Committee published its report on 29 April 2014. This is the Government response to the Committee's report.

#### Background resources

- NAO report: *NHS waiting times for elective care in England* - Session 2013-14 (HC 964)
- PAC report: *NHS waiting times for elective care in England* - Session 2013-14 (HC 1002)

#### 2: Committee of Public Accounts conclusion:

*The department cannot be sure that the waiting time data NHS England publishes is accurate.*

##### Recommendation:

*The department must work with NHS England, Monitor and the NHS Trust Development Authority to agree clear actions, responsibilities and a timetable for obtaining assurance that trusts' systems and processes for monitoring waiting lists are producing consistent and reliable data. The data should be audited by someone independent of the trust it relates to.*

2.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2015.

2.2 All parts of the NHS have a role to play in ensuring waiting time data is recorded accurately. Primary responsibility for accurate waiting time data starts with the chief executive of each trust and foundation trust who must take this responsibility seriously. To make certain that trusts have robust data recording systems and processes in place, the department will work with Monitor and the NHS Trust Development Authority (NHS TDA) from April 2014 to ensure all trust annual governance statements from April 2015 include an explicit statement on how they assure waiting time data quality, accuracy and risks.

2.3 Monitor and the NHS TDA will also mandate regular assurance over waiting times data within the respective accountability frameworks for trusts and foundation trusts from April 2015. Further work will be required to decide which mechanism(s) might be most appropriate to provide such assurance, which might include one or more of internal audit; external audit; or quality reports assurance

#### 3: Committee of Public Accounts conclusion:

*The guidance is complex and allows variations between trusts in the way they manage and record waiting times*

##### Recommendation:

*NHS England must work with trusts to identify weaknesses in current guidance and inconsistencies in the way it is applied, and simplify it by the end of 2014.*

3.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** December 2014.

3.2 The provision of clear and concise guidance is an important element in ensuring waiting times data are reliable and consistent. NHS England will work with Monitor, the Trust Development Authority and trusts to simplify the recording and reporting guidance by the end of 2014. Support and training will continue to be provided to trusts through the Intensive Support Team to enable them to apply the guidance consistently.

**4: Committee of Public Accounts conclusion:**

*The current regime of financial penalties for trusts that do not achieve the waiting time standards is not being used to drive improved performance.*

**Recommendation:**

*Whether or not clinical commissioning groups apply fines, they should agree clear performance improvement plans with those trusts which fail to meet waiting time standards.*

4.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2015.

4.2 The Standard Contract already provides a mechanism for commissioners to require Remedial Action Plans from providers, which breach standards such as the referral to treatment times. The process of agreeing a Remedial Action Plan provides an opportunity for performance issues to be tackled in a way that enables sustainable delivery of the standards. The agreement of a Remedial Action Plan is not mandated as part of the Standard Contract in the event of failure of one of the standards. NHS England will consider including a stronger line in the Contract Technical Guidance (from 2015-16) to urge commissioners to use the Remedial Action Plan approach where there is a significant or persistent breach of the standards.

4.3 Alongside agreement of Remedial Action Plans between trusts and clinical commissioning groups, the NHS Trust Development Authority (NTDA) will continue to develop recovery plans with providers, who are failing to meet waiting time standards. Where Monitor decides to open an investigation into referral to treatment governance issues, or places a provider into licence breach as a result of these, it will continue to involve relevant clinical commissioning groups at an early stage.

**5: Committee of Public Accounts conclusion:**

*Too much stands in the way of patients making informed choices about their treatment.*

**Recommendation:**

*NHS England must work with clinical commissioning groups and trusts to make sure that patients are clear about their rights and responsibilities under the NHS Constitution.*

5.1 The Government agrees with the Committee's recommendation

**Target implementation date:** April 2015.

5.2 NHS England will look for and promote ways to ensure patients are aware of the NHS Constitution and their legal rights when using the NHS. NHS England will work with Clinical Commissioning Groups and other partners to bring together and promote the ways in which the NHS Constitution can be built into how the NHS does business and engages with patients. NHS England will also promote ways to make patients' rights more tangible in care settings, by identifying and promoting the staff behaviours needed to help patients exercise their rights consistently and by working with patients and external stakeholders on how patients can exercise their rights in different types of care setting, using standards of care based on NHS values and reinforcing existing equality and consumer rights.

**6: Committee of Public Accounts conclusion:**

*NHS England faces a challenge to gain acceptance for the new e-Referrals system, given the difficulties with Choose and Book.*

**Recommendation:**

*To realise the full benefits of e-Referrals, NHS England must develop clear plans for how it intends to build up confidence in and utilisation of the new system.*

6.1 The Government agrees with the Committee's recommendation.

**Target implementation date:** April 2017.

6.2 NHS England is working with the Health and Social Care Information Centre (HSCIC), the department and other NHS bodies via the NHS e-Referral Service Programme Board to deliver paperless referrals in the NHS by 2017. The overall strategy comprises several elements including providing a new NHS e-Referral Service based on what users want. It includes Local Health Community (LHC) wide projects in 11 Clinical Commissioning Group areas with the lowest Choose and Book usage, as well as supporting acute providers to resolve capacity and demand management issues and to ensure that all services and related appointments are published for referrers. The acute providers involved were identified through NAO audit data.

6.3 HSCIC publishes a range of data on the performance of all Clinical Commissioning Groups and providers to highlight electronic referral deployment. NHS England and HSCIC are working with Monitor to include use of electronic referral standards in Monitor guidance to NHS licensed providers, to mirror requirements in the NHS Standard Provider contract in 2013. Other levers are being reviewed, including use of NHS e-Referral Service being included in the GP contract in future.

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

*The setting of clear standards for waiting times has driven improvements.*

### **Conclusion:**

*The department wanted to reflect further, and the Committee accepts that in a system as complex as the NHS the answer is not straightforward; for example, different parts of the business are interrelated and focusing on one aspect of performance can have unintended consequences in other areas.*

7.1 The Government notes the Committee's comments.

7.2 The Committee has noted that the department needs time to reflect before responding. The department will write to the Committee separately on this issue.

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