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7 April 2014

Dear Accounting Officer

**TREASURY MINUTES 2014 REVISIONS**

This letter describes how the government will in future respond to PAC recommendations. Please draw this to the attention of all those who work on support for the NAO or PAC in your organisation and in any organisations it sponsors. DAO01/13 is now withdrawn.

2. If you want to discuss the new arrangements, please contact Adrian Baxter on 020 7270 5498 or [Adrian.Baxter@hmtreasury.gsi.gov.uk](mailto:Adrian.Baxter@hmtreasury.gsi.gov.uk).
3. The Government is committed to working constructively with the National Audit Office (NAO) and the Committee of Public Accounts (PAC). Their objective criticism can help develop the performance of the executive and improve value for money. In turn the PAC, acting on behalf of Parliament, has the right to be satisfied that the public funds it awards the executive are spent wisely.
4. In April 2013, the Treasury proposed that follow-up Treasury Minutes (TMs) would be presented in a summary table. Following an initial compilation of this format, the Treasury concluded that it did not provide an adequate tool for scrutiny. Instead, the follow-up TMs will follow a format similar in appearance to the initial TM, indicating the status of each recommendation, with an update on actions in (up to) 150 words.
5. In order to reduce the length of these reports, only recommendations that remained work in progress as at the last TM will be reported on (with references to earlier reports included). The Treasury will aim to publish a follow-up TM annually. The PAC may then choose to follow up individual items with the responsible accounting officers.

Yours sincerely,

Paula Diggle

**Paula Diggle**  
Treasury Officer of Accounts



## Summary of the Committee's findings

In 2009, over 1.6 million 16- to 18-year-olds participated in some form of education and training at a cost of over £6 billion. Most of these young people studied full-time for Level 3 qualifications (such as A levels or National Vocational Qualifications) at a general further education college, sixth form college or school sixth form. The Government's approach is to encourage choice and quality of education through a market of providers. Young people choose where they want to study, subject to entry criteria, with funding following the student

In reaching its findings, the Committee took evidence from the Department for Education, the Young Peoples Learning Agency and the principals of three education institutions on the effectiveness and efficiency of the current education system for 16-18 year olds on 8 June 2011.

## Background resources

- NAO report: *Getting value for money from the education of 16- to 18-year-olds* - Session 2010-12 (HC 823)
- PAC report: *Getting value for money from the education of 16- to 18-year-olds* - Session 2010-12 (HC 1116)
- Treasury Minute: October 2011 (CM 8212)
- Treasury Minute – progress on implementing recommendations: February 2013 (CM 8539)

## Updated Government response to the Committee

There were 8 recommendations in this report. As of the last Treasury Minute (CM 8539), recommendation 2 was implemented and the department disagreed with recommendation 4. Six recommendations remained work in progress, of which X have now been implemented, as set out below.

### 1: Committee of Public Accounts conclusion:

*Educational achievements of 16- to 18-year-olds have improved over the last four years, but more needs to be done to enable the market to operate effectively*

#### Recommendation:

*The department's market-based delivery model will not deliver its objectives of improving choice and quality for students unless good comparative information between providers is available, relevant advice and information is provided to students, and the department intervenes effectively to address poor performance. The recommendations set out below include steps the department should take to help it achieve these aims.*

1.1 The Government partly agreed with the Committee's recommendation. **[Note: current Treasury Minutes no longer use the term 'partly agreed' - either a recommendation is agreed or not agreed]**

**Target implementation date:** September 2014.

1.2 From September 2012 schools will secure access for pupils aged 14-16 (years 9-11) to independent and impartial careers guidance on the full range of 16-18 education or training options, including apprenticeships. The department published statutory guidance in March 2012 setting out the key responsibilities of schools, who are expected to work, as appropriate, in partnership with external and expert careers providers. Following a consultation, the department has announced that the duty will be extended down to pupils aged 13 (year 8) and up to 16-18 year olds in schools and colleges from September 2013.

### 3: Committee of Public Accounts conclusion:

*Local authorities have a duty to secure provision, but they lack an effective means to influence providers*

#### **Recommendation:**

***The department emphasises the duty and important role of local authorities. However, local authorities have limited powers and the effectiveness of their engagement with the sector varies. The department must address this issue so that those with obligations are able to enact those obligations effectively.***

3.1 The Government partly agreed with the Committee's recommendation.

**Target implementation date:** September 2014.

3.2 Local authorities have statutory duties to secure suitable education and training provision for young people in their area and to support those young people to participate. Local authorities have a key role in making the commitment to raise the age of compulsory participation in education or training to age 17 in 2013 and age 18 in 2015. The department is working in partnership with the Local Government Association and the Association of Directors of Children's Services to ensure local authorities and their partners have access to appropriate support to help them to deliver their statutory duties.

### 5: Committee of Public Accounts conclusion:

*Smaller providers can best provide choice and realise economies of scale by collaborating, yet the incentives to collaborate are weak*

#### **Recommendation:**

***The department should promote the benefits of effective collaboration between providers, and address anomalies between the way providers are configured and how their performance is assessed.***

5.1 The Government agreed with the Committee's recommendation.

**Target implementation date:** September 2014.

5.2 Sixth form colleges, with their proven track record of high standards, can make a huge contribution to the transformation of school standards in this country and the standards in some of our most challenging underperforming schools. They are excellent at teaching 16-19 pupils and consequently the department is looking to them to play a larger role in transforming teacher training especially in secondary schools. The department has also extended the remit of the National College to ensure that it considers the needs of sixth form colleges about improvement support.

### 6: Committee of Public Accounts conclusion:

*Information to measure the performance of providers is not comparable, making it difficult to assess the value for money they offer and inhibiting the operation of a market driven by student choice*

#### **Recommendation:**

***The Treasury should update the Committee by November 2011 on the extent of the savings to be achieved, where and how they have been achieved, and how it is minimising the risk of compromising service quality in individual PFI projects and across the programme. The Committee wishes to be advised of any companies that do not agree to make savings and expect the Treasury to consider whether the Government should continue to do business with these companies.***

6.1 The Government partly agreed with the Committee's recommendation.

**Target implementation date:** September 2014.

6.2 The department expects to have comparable success rate data available for all 16-18 providers in March 2013 and to publish this in performance tables. For future years and in line with the department's aims of securing full participation and raising attainment post-16, measures will be developed that capture student

retention and achievement below advanced level, taking care to ensure that indicators are comparable across 16-18 providers.

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

*There is a lack of clarity about when and how the Department requires intervention in the event of failure*

**Recommendation:**

*The Treasury must set out how it will maximise the Government's buying power to improve value for money for users and taxpayers in the context of the declared policy on localism.*

7.1 The Government agreed with the Committee's recommendation.

**Target implementation date:** September 2014.

7.2 The department remains committed to establishing a consistent approach to intervention and standards, but wants to consider the implications carefully to ensure there are no unintended consequences. Mechanisms introduced for standards and intervention processes will be as robust as possible.

**8: Committee of Public Accounts conclusion:**

*The Department has indicated that it believes that, by definition, it is better value for money to spend less on a replacement for the Educational Maintenance Allowance scheme, targeting it and removing deadweight costs*

**Recommendation:**

*The allowance is to be replaced in the 2011-12 academic year by a £180 million bursary scheme, which will be administered by providers. As the department develops its implementation plan for this policy change, it must assess the impact on participation, particularly for disadvantaged young people, and the burden on providers of managing the changes, including the costs of administration.*

8.1 The Government agreed with the Committee's recommendation.

**Target implementation date:** December 2014.

8.2 An independent evaluation of the Bursary Fund process is underway and this will enable the department to understand the characteristics of applicants and recipients of bursaries; the perceived impact of the bursaries; the decision-making processes related to awarding bursaries; and to evaluate equality of opportunity between different groups of students. The evaluation will report at the end of 2014.