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Committee of Public Accounts

Third Annual Report of the Chair of the Committee of Public Accounts

Second Special Report of Session 2017–19

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The Committee of Public Accounts

The Committee of Public Accounts is appointed by the House of Commons to examine "the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit" (Standing Order No. 148).

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Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No. 148. These are available on the Internet via www.parliament.uk.

Publication

Committee reports are published on the Committee's website and in print by Order of the House.

Committee staff

The current staff of the Committee are Richard Cooke (Clerk), Dominic Stockbridge (Second Clerk), Hannah Wentworth (Chair Liaison), Ameet Chudasama and Carolyn Bowes (Senior Committee Assistants), Zainab Balogun and Kutumya Kibedi (Committee Assistants), and Tim Bowden (Media Officer).

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Chair's foreword

Welcome to my annual report.

A number of themes in this report are depressingly familiar. We repeatedly see the same issues and mistakes repeated—particularly around contracts, procurement, how information is used and a disconnect from the real impact of Whitehall decisions and behaviour on the lives of the citizen.

This Parliamentary Session:

- The Committee has held 66 inquiries
- Published 49 reports
- Government agreed with 171 of 187 recommendations

Government is complex and often has to react quickly to events. But too often we see short term priorities and not enough long-term thinking about the risks and consequences of decisions.

The Committee has been examining the strategic supplier paperwork on behalf of Parliament. There is a danger that the small number of major suppliers (defined as having over £100 million contracts with central Government per annum) are effectively becoming secretive sub departments of Government. We are pushing for more transparency.

Departments too often tell us that the work of the National Audit Office and the Public Accounts Committee is all old news and the situation is better now. For the avoidance of doubt all National Audit Office reports are agreed with the Government department concerned and just over 90% of the Public Accounts Committee recommendations are agreed by Government. We continue to push back on Treasury Minute responses and call in departments to explain themselves.

The General Election saw a number of new members join the committee which is made up of 16 MPs from four political parties. Richard Bacon MP, who had served as a member for 16 years and as Deputy Chair for the last two years, chose to leave the committee. His experience and knowledge will be greatly missed. In the world of social media and quick headlines long service on our select committees is often undervalued. Sir Geoffrey Clifton-Brown joined the committee and was appointed Deputy Chair and I thank him for his support.

There is a lot of rhetoric about politics being broken but every single Public Accounts Committee report has been agreed cross party. We have never produced a minority report. This is because we work hard to examine the evidence and I thank the National Audit Office for their support. My particular thanks go to my committee colleagues for all their hard work. Our work is very much a team effort.

Meg Hillier MP

Chair, Public Accounts Committee

Ten key challenges

1. Irrespective of your view of Brexit our evidence suggests the Government is not ready to deal with it. Government also needs to be clear about the true costs of exiting the EU—but it has not yet calculated the costs beyond the political exit.

2. A culture of denial continues—Universal Credit where a minister took the extraordinary step of making a statement to the House of Commons just to disagree with a National Audit Office report; our repeated scrutiny of the Emergency Services Network; and the over confidence in the delivery of Brexit are just three recent examples. We can also look at projects of the former Department of Energy and Climate Change—here we can see repeated failures—optimism overrode common sense and good procurement.

3. There is a connection between the level of funding and the ability of Government departments to achieve their goals. More money per se does not solve problems but there is a point at which so many other costs are shunted elsewhere in the system that money saved in one area just creates costs elsewhere. At least now with the NHS, the Government has acknowledged that funding was out of kilter with demand. The Ministry of Defence is the next major risk.

4. Across Government, we are seeing a recurring theme of the selling of land and assets to plug gaps in expenditure. Too little thought is going into these sell-offs and Government should consider that this is often a one-way street with no long-term control over who will own these assets and how they will be used. This is also a danger for contracted out services. The end owner becomes increasingly distant from the public service being provided—be it the offshore hedge fund that owns a PFI contract or a foreign state-owned company that runs a public service in the UK. We need to be alert to the long-term lack of accountability that these decisions are stacking up.

5. Management of contracts and commissioning risks is still not good enough. All too often we see a lack of connection between a contract being let and the end user, or the citizen. Common sense and a proper understanding of how people will behave should be fundamentals of project planning but very often these are key ingredients missing from the mix.

6. Most of the big issues for Government are complex and multi-agency—such as Brexit, changes to the welfare system and obesity—but most of the failures are because the attempt to solve them has been within silos. The relationship between the Cabinet Office and Treasury and departments is still often one of distrust.

7. The Government is still not good at joined up thinking. The NHS funding settlement has now been announced but no additional funding has been made available for social care, even when the Department's name changed to reflect the obvious connection between health and social care.

8. Regional government needs its own public accounts infrastructure to both assess the impact of central taxpayer funding routed locally. I would like to collaborate with a city region authority to undertake a review of how this might work.

9. The Committee's offer of pre-implementation scrutiny of a major project remains on the table. With the many projects that Brexit brings, I hope the Government will be able to see the sense of this and take me up on my offer.

10. It is still too difficult for the citizen to access information about Government business. We need more transparency. Only in this way can the public and Parliament really hold Government to account.

Departments of Concern

Health and Social Care

The Department of Health and Social Care's budget has been a stand out concern for the last two years. Short term and one-off measures have been used to balance the budget and this is unsustainable.

We remain concerned about this year's accounts. The Committee's 2018 report on the Sustainability and Transformation in the NHS[1] noted that whilst NHS England, clinical commissioning groups and trusts reported a combined surplus of £111 million against their income in 2016–17, this was only achieved by a cash injection from the Department's £1.8 billion Sustainability and Transformation Fund. Without this the financial position of the NHS would have been only slightly better than in 2015–16, when there was a combined deficit of nearly £1.85 billion.[2] The 2017–18 NHS performance report shows a deficit of £960 million, £464 million higher than anticipated by trusts at the start of the year.[3]

Last year's accounts again showed the reliance on the transfer of capital funds to revenue spending to cover day-to-day costs such as maintaining buildings, facilities and equipment. The NHS already has a shortage of capital funds, needing an additional £10 billion by 2020–21.[4] The Department has transferred money from its capital to revenue budget every year since 2014–15. In our last report on financial sustainability of the NHS in February 2017 we recommended that the Department, NHS England and NHS Improvement review how capital budgets are being spent.[5] Given our concerns about the continuing raid on capital funds and what this means for hospitals and patients I am disappointed that the Department only began this review in March.

1 Committee of Public Accounts, Sustainability and transformation in the NHS, Twenty-Ninth Report of Session 2017–19, HC 793, 27 March 2018

2 Ibid, Introduction, p 4

3 NHS Improvement, Performance of the NHS provider sector for the year ended 31 March 2018, para 3, p 3

4 Committee of Public Accounts, Sustainability and transformation in the NHS, Twenty-Ninth Report of Session 2017–19, HC 793, 27 March 2018, conclusion 4, p 6

5 Committee of Public Accounts, Financial sustainability of the NHS, Forty-Third Report of Session 2016–17, HC 887, 27 February 2017, recommendation 3, p 6

The Health Secretary made the long overdue announcement of a pay rise for NHS staff whose capped salaries have not kept up with living costs, but money will need to be found to cover the £4.2 billion cost over the next three years. The pay rise is being linked to increased productivity such as tackling the high sickness absence of staff.[6] There are questions about whether further efficiency savings will be demanded to help with costs.

And we need to understand if this pay rise will be part of efforts to tackle the vacancy rate in the NHS and encourage staff to stay longer. Between October and December 2017, there were 36,000 full-time equivalent registered nursing vacancies across NHS providers; a 10% vacancy rate.[7] Added to this is the possible impact of Brexit on attracting staff from the EU and the recently announced relaxing of visa restrictions which have prevented overseas doctors and nurses filling the gaps.

I welcome the fact that there has now been an announcement about a long-term plan for funding the NHS,[8] something that I have been calling for with the Chair of the Health and Social Care Select Committee for some time. Relations appear to have thawed (at least in public) between the Government and NHS England. It is important they work together to plan for the future of our NHS in the best interest of patients, not Whitehall politics.

But I am concerned that this funding has been announced in a silo with no extra funding yet committed for social care and public health. The Government wants to see a joined-up approach between our health and social care services but this needs to be funded across the piece. Questions also remain about how exactly the extra funding will be raised and whether a 3.4% rise average per annum increase in spending is enough to meet the demands of a growing and ageing population.

Sustainability and transformation plans remain but are being superseded by integrated care systems.[9] We are, in effect, seeing a withdrawal from the Lansley reforms of 2011. We are concerned about the impact on these changes of private companies suing the NHS where contracts are not tendered. This is a trend that needs to stop and the Department and NHS England needs to be alert to the risk and be clear what it will do to prevent this.

I remain concerned about accountability. With STPs there was no clear governance structure; ICSs are equally vague. Simon Stevens, Chief Executive of NHS England, is bullish about this approach but in a taxpayer funded health system transparency and accountability are key to winning over the trust of the public.

Following the recently announced and much vaunted long-term funding plan, there needs to be serious focus on the change and improvement needed in many areas of the NHS. The handling of the finances and the huge pressures on recruitment[10] all keep the system focused on the staff and the institutions and take away focus on patients. We need to see the focus move towards prevention, effectiveness and the patient experience.

6 House of Commons, NHS Staff Pay, 21 March 2018, volume 638, column 285

7 Committee of Public Accounts, Sustainability and transformation in the NHS, Twenty-Ninth Report of Session 2017–19, HC 793, 27 March 2018, conclusion 2, p 5

8 Department of Health and Social Care, HM Treasury, and The Rt Hon Jeremy Hunt MP, Prime Minister sets out 5-year NHS funding plan, 18 June 2018

9 Committee of Public Accounts, Sustainability and transformation in the NHS, Twenty-Ninth Report of Session 2017–19, HC 793, 27 March 2018, conclusion 5, p 7

10 Ibid, paras 6–7, p 11

Education

The Department for Education is on a par with the Department of Health and Social Care in terms of strains on funding and doubts over its long-term sustainability. We have made clear our concerns that the Department continues to be unrealistic in its savings expectations,[11] while having little in the way of contingency planning if these continued savings plans threaten the quality of education and pupil performance. We have heard that the Department may not have learned the lessons of mistakes of other sectors, in particular the over-ambitious efficiency targets of the NHS which proved to be counter-productive.[12]

This is at the same time as the Government continues with its policy of delivering new free schools—many in inappropriate buildings which are costly to buy and maintain and not suitable for the long-term education of pupils. We have previously heard from MPs examples of free schools opening in their constituencies with no playgrounds or based in temporary sites with uncertain timescales for moving to a permanent home due to complications in securing these.[13]

The Department's budget continues to show real strains which are hitting pupils directly. We know that cash shortages have led to many schools reviewing their options and several are considering reducing school hours in an attempt to save money. Not only this, but a study by the National Association of Head Teachers has reported that as many as one in 20 schools are already running on reduced hours, with many now closing early on a Friday.[14]

We also know that some schools are offering a reduced curriculum in an attempt to alleviate pressure on budgets, depriving pupils of subjects such as religious education, technology and foreign languages and, particularly, creative subjects. We are aware that, all too often, schools are struggling to fund basic materials such as exercise books, stationery and arts materials for students. Recent reports in the news highlight schools setting up Amazon wish lists to ask parents to pay for equipment with one school even asking parents to buy basics such as toilet paper.[15] These worrying trends are impacting on pupils directly and the Department shows no sign yet of offering schools a solution. We are deeply concerned about the long-term impacts these 'make-do' measures will have on pupils, particularly those from the most disadvantaged backgrounds.

We have heard from headteachers the toll that working long hours has on staff and the detrimental effect it can have on the quality of teaching. In February 2017, classroom teachers worked, on average, 54.4 hours a week.[16] Headteachers told us that they were losing talented and capable members of staff because the hours of work expected were

11 Committee of Public Accounts, Financial sustainability of schools, Forty-Ninth Report of Session 2017–19, HC 890, 28 March 2017, conclusion 6, p 7

12 Committee of Public Accounts, Financial sustainability of schools, Forty-Ninth Report of Session 2017–19, HC 890, 28 March 2017, conclusion 6, p 7

13 Committee of Public Accounts, Capital funding for schools, Fifty-Seventh Report of Session 2017–19, HC 961, 26 April 2017, conclusion 7, p 8

14 Nicola Woolcock, Shorter school hours amid cash crisis, 17 March 2018

15 Pippa Allen-Kinross, Make a wish: The schools forced to use Amazon to ask parents to buy pens, Schools Week, Friday 25 May

16 Committee of Public Accounts, Retaining and developing the teaching workforce, Seventeenth Report of Session 2017–19, HC 460, 31 January 2018, Conclusion 2, p 5

causing too much strain on their family life and their mental health. Our report on Retaining and developing the teaching workforce found that, once again, the Department has failed to get a grip on the issue of teacher retention.[17]

Despite an announcement after the General Election that more money would be injected into schools, the same schools are still part way through having to find year-on-year efficiency savings, rising to £3 billion by 2019–20. Of this the Department expects £1.3 billion to come from better procurement and £1.7 billion through "more efficient use of staff".[18]

We have repeated our concerns about the management of school buildings and the Department has acknowledged that it has limited information about the scale of the problem.[19] Schools are being asked to report asbestos as part of their return on stock condition. Many are not providing the information and the deadline for schools to send this in was recently extended. Asbestos is a ticking time bomb which will need central government support to tackle. We have been appalled to hear about the prevalence of asbestos in schools and are concerned that the Department has no idea of either the true scope of the problem or how best to manage the problem when discovered.[20] The risk of asbestos poisoning of pupils and staff should not be a reality in 2018.

Ministry of Justice

In the last two years I have highlighted concerns about the Ministry of Justice, which is undergoing change in every area of work.

This year we revisited the Transforming Rehabilitation programme and looked at Community Rehabilitation Companies (CRCs).[21] I am concerned that many of the criticisms of our first report have been borne out. The Department renegotiated the contract—going as far as it could without retendering. We continue to have real concerns about CRCs, with many providers making a loss and the risk of provider failure or withdrawal.[22] We have also heard criticism from strategic suppliers that did not bid for the contracts, that outcomes were unclear, and sufficient data was not available.[23]

We examined mental health in prisons. Rates of self-inflicted deaths and self-harm in prisons have risen significantly in the last five years. There were 120 self-inflicted deaths in prison in 2016 and 40,161 incidents of self-harm, the highest on record.[24] The Ministry of Justice is responsible along with HM Prisons and Probation Service and NHS England for providing support for prisoners. We were concerned that the departments don't know how many prisoners have mental health issues. The mostly commonly used estimate is

17 Ibid, oral evidence Q3

18 Committee of Public Accounts, Financial sustainability of schools, Seventeenth Report of Session 2016–17, HC 890, 28 March 2017, Summary, p 3

19 Committee of Public Accounts, Capital funding for schools, Fifty-Seventh Report of Session 2017–19, HC 961, 26 April 2017, para 5, p 7

20 Committee of Public Accounts, Academy schools' finances, Seventeenth Report of Session 2016–17, HC 760, 30 March 2018, conclusion 6, p 6

21 Committee of Public Accounts, Government contracts for Community Rehabilitation Companies, Twenty-Seventh Report of Session 2017–19, HC 897, 21 March 2018

22 Ibid, Summary, p 3

23 Committee of Public Accounts, Oral evidence: Strategic Suppliers, HC 1031, 5 June, Q87 and 13 June 2018, Q365

24 Committee of Public Accounts, Mental health in prisons, Eighth Report of Session 2017–19, HC 400, 13 December 2017, introduction, p4

now 20 years old.[25] In our report we stressed that the deteriorating prison estate and long-standing understaffing issues are exacerbating prisoners' mental health issues all of which is a challenge for the Ministry.[26]

We looked again at the tagging and electronic monitoring of offenders and concluded in our report that replacing the contracts for electronic tags was made overly ambitious, overly complicated and has been poorly delivered.[27] The programme aimed to develop a new world-leading tag, employing GPS technology, at the same time as reducing costs.[28] When we questioned officials from the Ministry they admitted that they were "startled and stunned" by the over-optimism of the original project.[29] The new tags are now due to be rolled out from early 2019, more than five years late. The Ministry has so far spent over £60 million on the programme, including £7.7 million of losses which cannot be recovered. Despite the spend on, and ambition for the programme, it relies on the same form of tagging technology that was commercially available when the programme first started.[30]

We also made clear in our report on tagging that we do not expect to see similar failings in any of the other 16 major projects currently being undertaken by the Ministry of Justice.[31] I fear the Department has a lot to do to make this a reality.

HMRC

HMRC's challenges have increased and become more urgent due to Brexit.

As well as the ongoing change programmes in IT and in relocation of staff to 13 major hubs it is faced with managing customs arrangements post Brexit. It argues that all is going well but we have real concerns about HMRC coping from day one of the UK's exit from the EU. We are watching the risks around HMRC's introduction of its new customs system, the Customs Declaration Service, closely. In the event of no deal, the number of declarations which HMRC will have to process each year is expected to increase from 55 million to an estimated 255 million post-Brexit.[32]

With nine months to the leave date we still don't know what the outcome of the negotiations are going to be. HMRC is having to plan for all scenarios—deal, no deal and transition—a huge drain on its time and resources.

Alongside this is the need for HMRC to continue with its compliance work. The release of the Paradise Papers has yielded little for HMRC. It told us that despite requesting details of tax evaders from the media, these have not been forthcoming.[33] I am continuing in my work with PACs from around the world to push for greater tax transparency of multi-national companies which operate across borders.

25 Ibid, conclusion 2, p 5
26 Ibid, conclusion 1, p 5
27 Committee of Public Accounts, Offender-monitoring tags, Fifteenth Report of Session 2017–19, HC 458, 24 January 2018, Summary, p3
28 Committee of Public Accounts, Offender-monitoring tags, Fifteenth Report of Session 2017–19, HC 458, 24 January 2018, Introduction, p 4
29 Ibid, conclusion 1, p 5
30 Ibid, Introduction, p 4
31 Ibid, conclusion 6, p 7
32 Comptroller and Auditor General, The UK Border, Session 2016–17, HC 513, National Audit Office, 20 October 2017, p 27
33 Committee of Public Accounts, Oral evidence: HMRC's performance: progress review, HC 972, 30 April 2018, Q16–17

Following our report on Online VAT fraud by overseas sellers there were announcements from Government about increasing powers to make marketplaces such as Amazon and eBay liable for tax not paid by sellers.[34] But this is early days and we are yet to see real impact. And are these powers sufficient? HMRC said it would require a change of law in order to seize stock from a marketplace fulfilment centre to prevent a blocked seller simply re-emerging in a new guise and continuing to sell their stored goods.[35] HMRC was dismissive about the impact VAT fraud had had on British businesses but for those businesses affected this is an ongoing threat to their survival.

HMRC told us it may need to recruit over 5,000 additional staff to handle to challenges that Brexit brings.[36] At the same time HMRC is pushing ahead with its estate transformation plans, closing offices and relocating staff to larger regional centres. MPs from across the House are united in their concern about the impact this will have on local communities and economies and it is already clear that the original savings predicted from the programme will not materialise. These new hubs are expected to house staff from other Government departments.[37] But the Department for Work and Pensions Permanent Secretary, Peter Schofield, has been clear it will not be using them for much of its operations as it needs local bases.[38]

Defence

Last year I highlighted concerns about new defence equipment commitments outstripping new funding. The 2015 Strategic Defence and Security Review committed the Department to new equipment purchases before it established how these would be paid for. The 2016 Equipment Plan contains £24.4 billion of additional commitments, only £6.4 billion of which will be met by additional funding from outside the Department.[39]

The Department now faces the challenge of making over £8 billion in savings up until 2027.[40] The Equipment Plan already has an affordability gap of almost £5 billion and is reliant on its efficiency plan to ensure that this does not widen. In a worst-case scenario, this gap would widen to £20.8 billion if no savings were made and identified financial risks materialise.[41] The Ministry of Defence has a poor track record of performing against savings targets and we are unconvinced that these will be delivered. The Ministry of Defence's savings plans seem to be unrealistic and over-optimistic and it is difficult to see how the Department will be able to continue to fulfil its roles whilst meeting targets.

The Department is relying on the soon to be released findings of the Modernising Defence Programme (a landscape review of the UK's defence needs and capability) to resolve the pressures but there is a real risk that the outcome will add costs and projects rather than reduce them. When the MDP was established it was required to find efficiency savings as well. How these competing pressures will be balanced remain to be seen.

34 HMRC, VAT: online marketplace seller checks, gov.uk, 15 March 2018
35 Committee of Public Accounts, Oral evidence: HMRC's performance: progress review, HC 972, 30 April 2018, Q 97
36 Ibid, Q178
37 Committee of Public Accounts, HMRC's performance in 2016–17, Twelfth Report of Session 2017–19, HC 456, 12 January 2018, para 18, p 14
38 Committee of Public Accounts, Oral evidence: Employment and Support Allowance, HC 975, 21 May 2018, Q 149
39 Committee of Public Accounts, The Defence Equipment Plan, Fifty-sixth Report of Session 2016–17, HC 957, 25 April 2017, conclusion 1, p 5
40 Committee of Public Accounts, The Defence Equipment Plan 2017–27, Thirty-ninth Report of Session 2017–19, HC 880, 11 May 2018, conclusion 6, p 6–7
41 Ibid, Summary, p 3

The Chair of the Defence Committee Dr Julian Lewis and I have written to the Prime Minister.[42] We highlighted our concerns that new spending commitments and emerging threats will result in a budget unable to deliver all it has promised. We await the Prime Minister's response.

We are concerned that the Department does not have the capability, nor the contingency, to handle the reality of modern day threats, such as cyber attacks, which are becoming ever more prevalent.

The lack of headroom and spending constraints at the Ministry of Defence have contributed to an increased focus from the Committee on this Department over the past session. We are concerned about the Ministry's ability to successfully manage and deliver projects which are of the utmost importance to the UK's security in an ever-changing global climate. Of particular concern to us is the Carrier Strike programme, one of the most ambitious and costly defence programmes in recent history. On a recent visit to Rosyth we received assurances about the timely delivery of this programme but still have concerns about the Department's ability to keep costs from spiralling out of control and impacting on the future of other defence programmes.[43] We remain watchful over the Carrier Strike programme and its potential knock-on effects. We will continue to monitor progress and its capacity to bring highly-skilled jobs to the country as the UK prepares to lose its Tier One partner status in 2019 on the F-35s.[44]

The Carrier Strike programme has forced unprecedented collaboration of British industry. Without a coherent plan, the huge expertise which has been developed could be lost unless the MoD plans for future work which the consortium teams could take on.

Home Office

The Home Office has had responsibility for two projects that have caused major concern to the Committee recently—the Disclosure and Barring Service[45] and the new Emergency Services Network.[46] Both projects are inexcusably late, have allowed costs to spiral out of control and have seen poor contract and project management.

The Department's Emergency Services Network programme to replace the existing communications system Airwave was over-ambitious in trying to establish an emergency service network more advanced than any other in the world. It has run into endless complications which finds the project at least 15 months behind schedule, with some sources reporting that it may be delayed for 5–10 years.[47]

We have challenged the Home Office on ESN five times and on each occasion, have heard of further complications and possible delays to the programme.[48] We identified early on

42 Meg Hillier and Dr Julian Lewis, Ministry of Defence Budgetary Pressures, Letter to the Prime Minister, 7 June 2018

43 HC Committee of Public Accounts, Delivering Carrier Strike, Fourteenth Report of Session 2017–19, HC 394, 19 January 2018, Summary, p 3

44 Ibid, paragraph 11, p 10

45 Committee of Public Accounts, Modernising the Disclosure and Barring Service, Forty-Second Report of Session 2017–19, HC 695, 25 May 2018

46 Committee of Public Accounts, Upgrading emergency service communications—recall, Fifty-Second Report of Session 2017–19, HC 997, 21 April 2017

47 Kat Hall, Yes, Emergency Service Network will be late and cost more—UK perm sec, The Register, 28 March 2018

48 Committee of Public Accounts, Oral evidence sessions on 16 November 2016, 1 February 2017, 13 November 2017, 21 February 2018 and 27 June 2018

that this programme was extremely high risk and the Department has been shown to have been complacent about these risks. One particular risk which still remains is how it will work on underground transport networks.

The timescale for delivery of ESN remains unclear, as does the final cost. All this uncertainty does not convince local emergency services of the benefits of signing up and we have heard of some sourcing their own interim solutions.

We also looked at the Home Office's Disclosure and Barring Service modernisation programme, which shares many of the hallmarks which has shown the ESN programme to be so problematic. This is the service for employers to vet potential employees whose work will bring them into contact with children and vulnerable adults. The project is expected to be almost £230 million over budget, is already over four years late and has failed to see the levels of take up originally predicted.[49] The upgrade aimed to move from paper systems to digital but did not take into account the reality for the organisations that access it, many of which still rely on paper vetting certificates. It is still not yet clear when the modernisation programme will be completed.

The Permanent Secretary is now undertaking a review of ESN. He acknowledged that the Home Office has faced challenges in managing contracts effectively, as well as acknowledging the similarities in the failures of ESN and DBS. The Permanent Secretary further told us that he accepted that there has been an underestimation of the complexity of the projects and that not enough work had been done at the planning stages.[50]

Brexit is all consuming and it is worrying that major transformation projects are being side-lined as a result. Brexit is dominating government departments and siphoning resources and staff away from key projects. The Home Office needs to consider how to maintain a balance as we prepare to leave the European Union.

And it is not just Brexit that is leaving the Department's major projects under-resourced. The Home Office has found itself under huge amounts of pressure recently, particularly following the Salisbury attack and the revelations concerning the treatment of the Windrush generation. UK Visas and Immigration has the challenge of supporting those caught up in the scandal of Windrush whilst dealing with applications for EU nationals who want to remain in the UK post-Brexit. And all in an immigration system that is already overstretched, slow and cumbersome. This is no small task.

Issues from our inquiries

Brexit

We have been examining the impact of Brexit across Government. I am very concerned about the huge scale of the task and the ability of departments to deliver.

Some Permanent Secretaries are open about the practical challenge but their openness is combined with a degree of confidence in delivery that is unwarranted on the evidence we've seen. It is noticeable that retired civil servants, free to speak their mind, have been more forthcoming about the challenges.[51]

49 Committee of Public Accounts, Modernising the Disclosure and Barring Service, Forty-Second Report of Session 2017–19, HC 695, 25 May 2018, Summary, p 3

50 Committee of Public Accounts, Oral evidence: Modernising the Disclosure and Barring Service, HC 695, 19 March 2018, Q 134

51 For example, Gus McDonnell and Martin Donnelly, as reported in Civil Service World: Gus O'Donnell interview: "Be under no illusions—Brexit is an enormous challenge for the civil service", 17 November 2016 and Former DIT perm sec describes Brexit as 'swapping a three-course meal for a packet of crisps', 27 February 2018

We have been pressing the Government for full details about the 325 workstreams it has identified in relation to Brexit.[52] After some pressure from the Public Accounts Committee and some of our sister select committees, we have had some success eliciting information either through National Audit Office reports or from Permanent Secretaries in a committee session. However, the Cabinet Secretary has only recently supplied the full list of workstreams and only headlines with no detail. He argues that further detail would damage our negotiating position.[53]

Most of the challenges are easily identifiable and we do not believe that high level detail would have any impact on negotiations. While knowing detail of certain areas could be an issue this should not be an excuse for a blanket refusal to release anything.

I am concerned that Brexit has become an excuse for withholding information which Parliament, and the public, have a right to know.

Our examination of the demands of Brexit on departments has highlighted that many still don't know what they need to deprioritise to cope with the change. And there are huge projects which arise because of Brexit such as rural payments and customs, on top of work as usual.

Last year I highlighted my concern and that of the Committee that Government would struggle to cope with Brexit on top of existing commitments and evidence has borne this out. HMRC recently told us that it was pausing 39 projects.[54]

HMRC is banking on a transition period and even that makes delivering the necessary change challenging.

There are also a lot of new staff to bed in, Defra alone has recruited 1,200 new staff[55] and with 80% of its work affected by Brexit[56] they will have a lot to do. But new staff are recruited to manage the exit, not for work as usual so these numbers could increase significantly.

We will also be watching closely the costs of our exit from the EU. We looked at the Government's estimate of £35–39 billion for the financial settlement.[57] But this cost is for the political exit from the EU, failing to take into account a range of other costs which we will need to pay. Costs such as new infrastructure for customs, payments to continue to remain part of EU agencies and the cost of setting up new quangos to fill the gap left by our exit from EU institutions. The Prime Minister needs to make these costs clear to Parliament and the public so that any future meaningful vote on a deal can be properly informed.

52 Philip Rycroft, Letter to Meg Hillier on EU Exit workstreams, 30 April 2018
53 Philip Rycroft, Letter to Meg Hillier on EU Exit workstreams, 9 May 2018
54 Committee of Public Accounts, Oral evidence: HMRC's performance: progress review, HC 972, 30 April 2018, Q 123
55 Committee of Public Accounts, Exiting the European Union: The Department for Environment, Food & Rural Affairs and the Department for International Trade, Thirty-Seventh Report of Session 2017–19, HC 699, 4 May 2018, paragraph 3, p 8
56 Ibid, paragraph 25, p 14
57 Committee of Public Accounts, Oral evidence: Implementing EU Exit: the financial settlement, HC 973, 23 April 2018

The gilded staircase of public sector pay

We see a worrying trend in pay escalation in some sectors—a gilded staircase where pay keeps going up because the senior people in the sector convince themselves they are worth more.

The recent examples are vice-chancellors of universities and senior staff in the academy sector. At our evidence session on DfE's accounts for all academy schools, we highlighted the high pay of some academy heads. Following this the Chief Executive of the Education and Skills Funding Agency wrote to all academy Chairs of Trustees paying salaries over £150,000, asking them to justify their pay.[58] The lack of oversight is worrying.

In the past we saw an escalation of local authority chief executives' pay. The London Borough of Islington was one of the first to call this out when the then leader (now MP) Catherine West set pay for the advertised role for a new chief executive at a lower rate than the incumbent as part of the Islington Fairness Commission to reduce the pay ratio and ensure all staff received the living wage.[59]

Since our report on academy accounts I have been contacted by some academy trusts who share the Committee's concerns. This is heartening. The Government needs to consider how it will act. Academies were set up to have certain freedoms but overly high salaries paid by taxpayers should be called out. It is particularly galling, when many schools are losing staff, that some individuals are being paid well beyond what most people would consider to be reasonable.

We also saw the debacle of redundancy payments for HS2 executives. During 2016–17 HS2 Ltd made £1.76 million of unauthorised payments to staff at enhanced terms, well in excess of those authorised by the Department for Transport.[60] This is money that cannot be recovered.

Openness and accountability in the schools sector

The rapid expansion of academies and free schools raises questions about oversight of how these new schools are managed and how they are spending their budgets.

Our recent inquiries on academy sector accounts[61] and converting schools to academies[62] highlight a number of concerns around the governance arrangements and the transparency of decision making. The Committee has particular concerns about related party transactions and the payment of school funds to trustees for services. There have been accusations that some payments are unnecessarily high for the work provided. It is also not clear how well the system is being policed.[63]

58 Education and Skills Funding Agency, Letters to academy trusts about levels of executive pay, gov.uk, last updated 12 June 2018
59 Reported in the Islington Gazette, Evening Standard and other sources
60 Committee of Public Accounts, High Speed 2 Annual Report and Accounts, Tenth Report of Session 2017–19, HC 454, 15 December 2017
61 Committee of Public Accounts, Academy schools' finances, Thirtieth Report of Session 2017–19, HC 760, 30 March 2018
62 Committee of Public Accounts, Oral evidence: Converting schools to academies, HC 697, 16 May 2018
63 Committee of Public Accounts, Academy schools' finances, Thirtieth Report of Session 2017–19, HC 760, 30 March 2018, conclusion 1, p 5

The Department has responded to our recommendation that it should tighten the rules to prevent academies from entering into related party transactions without approval. From April 2019, all academies will need to request prior approval from the Education and Skills Funding Agency for any related party transactions which individually or cumulatively total £20,000.[64] However, all this seems an afterthought and should have been in place from the start.

I have also been contacted by parents and councillors who are frustrated by the lack of information they can get from academy schools. A particularly appalling example was Whitehaven Academy, run by multi-academy trust sponsor, Bright Tribe. When Bright Tribe took on Whitehaven it was tasked with not only improving educational outcomes but also improving the condition of school buildings which were in a poor state of repair. Not only did the school subsequently go into special measures but the state of the school building is now so bad it has been referred to the Health and Safety Executive. Parents had long been calling out the problems but for a long time no-one listened.[65] Bright Tribe was also not willing to disclose information to parents in one concerning example on the prevalence of asbestos in the building.[66]

It is also essential that all schools' financial information be published and must be accessible to parents and the wider public. When the Wakefield City Academies Trust decided last year to pull out of the 21 schools it was running, questions were asked about the return of money that had been raised for individual schools which had been moved to central trust coffers.[67] It is still not clear if following the collapse of the trust that schools will see the return of these funds.

I am also concerned more generally about the impact of the failure of multi-academy trusts which run so many schools. The failure of one school could have a domino effect on the rest of the trust. This not only impacts children and staff but it is then left to councils and taxpayers to pick up the pieces.

Musical chairs of civil servants

Our experience over the last year suggests that turnover of senior civil servants continues to be a concern.

Our sister committee the Public and Constitutional Affairs Committee found recently that the average tenure in a post for members of the senior civil service is two years—far shorter than the tenure of many ministers.[68]

This is not surprising considering the promotion ladder means that moves—even horizontal moves—are the only way to achieve promotion.[69] This combined with new jobs being created as a result of Brexit, results in a strong incentive to move.

64 Education and Skills Funding Agency, Academies Financial Handbook 2018, para 3.10.6
65 Committee of Public Accounts, Oral evidence: Converting schools to academies, HC 697, 16 May 2018, Q64–66
66 Committee of Public Accounts, Academy schools' finances, Thirtieth Report of Session 2017–19, HC 760, 30 March 2018, para 17, p 12
67 Committee of Public Accounts, Academy schools' finances, Thirtieth Report of Session 2017–19, HC 760, 30 March 2018, Q30
68 Committee of Public Administration and Constitutional Affairs, The Minister and the Official: The Fulcrum of Whitehall Effectiveness, Fifth Report of Session 2017–19, HC 497, 18 June 2018, paragraph 59, p 20
69 Ibid, paragraph 62, p 21

It has been reported that ten out of 21 departments have new directors of communications this year, tasked with implementing the 2017–18 communications plan, which centres on Brexit.[70]

Rapid senior staff turnover results in a lack of embedded knowledge and expertise in government. We continue to watch the turnover of Senior Responsible Owners who oversee major projects. It is concerning that one of the Government's most challenging programmes, Universal Credit, has had six senior responsible owners in six years.[71]

Machinery of government changes

Last year I highlighted concerns that the new departments created as a result of the vote to leave the EU were absorbing scarce civil servants at a time when the civil service has shrunk dramatically.

In the last year we have seen a wave of new recruitment. The Institute for Government has reported that across the whole civil service, numbers are up 4% since the referendum.[72] Cabinet Office told us that around 5,000 new roles had been created and filled at February 2018.[73] However, there is no centrally held figure for the number of people working on EU Exit across the civil service, or of new EU Exit roles created.[74]

This year we have seen the renaming of two departments—the Department of Health becoming the Department of Health and Social Care and the Department for Communities and Local Government became the Ministry of Housing, Communities and Local Government.

In most machinery of Government changes personnel and responsibility for policy move with the name. In these cases the policy responsibility has not moved; in recent times Health has been responsible for social care policy and CLG has been responsible for housing.

If these are not to be mere cosmetic name changes it will be for the Department and the Ministry to demonstrate the concrete benefits for real people of the closer linkage of health and social care and the emphasis on "housing". Our report on homelessnessfollowed our previous report on the state of housing and these highlight how the lack of joined up thinking coupled with a plethora of one-off initiatives is poor value and too often does little to provide that very basic need—a secure roof over someone's head. I am not convinced that adding housing into the new ministry's title is enough to solve this.[75]

70 Jonathan Owen, New faces for 2017: All change for Government comms directors to implement new comms plan, PR Week, 13 September 2017

71 Paul Gray and Nicholas Timmins, Reforming working-age social security: lessons for policy makers, IFG, June 2018

72 Gavin Freeguard, Government plugs gaps in prison service staff, Institute for Government, 14 June 2018

73 Committee of Public Accounts, Exiting the European Union, Eighteenth Report of Session 2017–19, HC 467, 7 February 2018, para 4, p 8

74 Comptroller and Auditor General, People and skills: The role of the centre of government, Session 2017–19, HC 626, National Audit Office, 1 December 2017, p 5

75 Committee of Public Accounts, Homeless households, Eleventh Report of Session 2017–19, HC 462, 20 December 2017, para 8, p 10

Looking Ahead

Selling off the taxpayers' silver

It is Government policy to sell off public assets if there is no policy reason not to. We have examined a number including the Green Investment Bank and court buildings.

For financial assets such as the Northern Rock Asset Management mortgage book it is understandable that a risk-averse Government would sell on. Running a mortgage loan book is not something that Government is set up to do.

But we are seeing a worrying trend of assets being sold for a short-term capital gain at the expense of lost future income and, critically, a loss of control of a taxpayer owned asset. The sell off of court buildings is part of plans to reduce the need for physical appearances in court, and part of the Ministry of Justice's wider reforms and efforts to make savings.[76] But these buildings were built for a specific purpose and once gone would be costly to rebuild.

We have also looked at the outfall of previous sales with the Ministry of Defence's sell off of armed forces housing to Annington Homes on a 999-year lease. This sale meant the MoD lost control over personnel housing and the taxpayer got a particularly bad deal into the bargain. Annington Homes made a huge financial gain while the Department lost out on billions of pounds as the houses soared in value. A rent review is due to take place from 2021 which may well result in the situation getting even worse for the taxpayer. To date, the Department has benefitted from a downwards adjustment of rent but, depending on the outcome of negotiations, could now be facing higher rent costs.[77] This would put even more pressure on a defence budget which simply cannot withstand much more strain. We will be keeping a watchful eye on the progress of negotiations.

The disconnect between the owners of assets and their purpose is immense and will leave a long-term gap as the owners have no direct, purposeful relationship with users, tenants or policy.

For example, while the sale of the Green Investment Bank in August 2017 successfully removed the bank from the public sector balance sheet, there is no legal obligation for the new owners to remain committed to its green purposes.[78] This could lead to untold costs and consequences for future generations if green projects no longer receive the required investment.

I have also raised concerns about the requirement on Network Rail as one of the largest landowners in the UK to release £1.8 billion in order to plug a £2.5 billion shortfall in its budget. Most of its assets can't be sold because they are connected to an operating railway but there is a book sale of management of tenanted property, mostly railway arches, underway on a 999-year lease as part of their need to pay the shortfall.

76 Comptroller and Auditor General, Early progress in transforming courts and tribunals, Session 2017–19, HC 1001, National Audit Office, 9 May 2018, para 3

77 Oral evidence taken on 14 May 2018, HC 974 Q 115

78 Committee of Public Accounts, The sale of the Green Investment Bank, Twenty-Fifth Report of Session 2017–19, HC 468, 14 March 2018, para 12, p 12

Data

Poor quality data is a perennial bugbear of the Committee.

Collecting the right information, consistently and over time is vital to evaluating the efficacy and value for money of projects.

Good data is also vital to aid transparency and accountability. And accessible data allows the citizen taxpayer to see for themselves what Government is doing.

But too often we see departments collecting data as an afterthought or after they have been called out for not understanding the outcomes of their strategies or spending. I highlighted earlier the Department of Health and Social Care's poor understanding of the number of prisoners with mental health needs.

The Department for Education has begun to collate updated information about the stock condition and ownership of the school estate in England and Wales. But other asset registers are still too often patchy and yet we see major assumptions made about the potential value of asset sales or contracts which are not always borne out in reality.

In our session on Carillion we heard how too often basic assets had not been accurately recorded. The Cabinet Office is now collecting lists of programmes run by outsourced companies, something it had to ascertain for Carillion in the run up to its collapse.[79]

We have seen again this year examples of where bidders for government contracts have believed the data they have received from Government is accurate and based their proposals on this. With Community Rehabilitation Companies, the tender made clear the level and type of work that the Ministry of Justice thought would be passed to CRCs. This work has not materialised and, as a largely payment by results set up, has left providers struggling and Government—and taxpayers—bailing them out.[80]

Outsourced contracts

The Public Accounts Committee has long been raising concerns about the ability of the civil service to draw up contracts and manage them.

We are also more and more concerned about contractor failure. We saw the stark example of Carillion, where the warning signs were there but not acknowledged until crunch time, when the Government chose not to prop up the company. Those running the company had convinced themselves they were too big to fail and too important to Government to be let go. Although the Government feels it has proved that it will not be held to ransom by its strategic suppliers and has kept public services going, the impact on Carillion's sub-contractors is ongoing, with some owed thousands of pounds and some facing collapse.

We have seen other strategic suppliers issuing profit warnings, including Capita and Interserve.[81]

79 Oral evidence taken on 20 June 2018, HC 1031, Q 793

80 Committee of Public Accounts, Government contracts for Community Rehabilitation Companies, Twenty-Seventh Report of Session 2017–19, HC 897, 21 March 2018, Summary, p 3

81 BBC News, Interserve shares slide amid Capita woes, 1 February 2018

And basic problems persist in how Government manages its contracts. A recent example was NHS England's management of shared business services where hundreds of thousands of pieces of patient correspondence were not processed and despite several warnings, only came to light recently.[82]

Rail franchising is also a particular concern for the Committee having looked at a number of failed or poorly performing franchises. Most recently we looked at Govia Thameslink and Northern and the most recent collapse of the East Coast franchise, the third in 13 years.[83] The GTR contract was hugely ambitious in what it expected to be delivered but had little thought for the impact on passengers. The Government added in complications to what was an already complex franchise. I have described the current franchise model as broken and unless the Government takes a more coherent approach, I cannot see how this situation will improve.

The Cabinet Office versus Departments

Last year I highlighted the question of who has a grip of the whole system of Whitehall government.

The relationship between Cabinet Office and other departments has become increasingly important this year as a result of the UK's exit from the European Union. For example, while Cabinet Office, along with HMT and DExEU, have overarching roles, individual departments are responsible for planning and implementing their own work streams.

Departments have always been inter-dependent but Brexit is highlighting how reliant project success can be on other departments. For example, while HMRC is responsible for processing customs declarations, it is Border Force, within the Home Office, that physically controls the movement of goods and transport at the UK border.[84] In total, 26 government departments and agencies operate at the UK border, including Defra, Department for International Trade and the Medicines and Healthcare products Regulatory Agency.[85]

Our strategic suppliers inquiry, which is underway as this report goes to press, is examining in more detail the role of the Cabinet Office, and particularly the Crown Commercial Service, in providing commercial expertise to manage relationships with strategic suppliers.

Commercial capability, especially individuals with prior experience working in the private sector, tends to be concentrated within Cabinet Office. We have heard numerous examples in the past year of lack of commercial expertise within departments leading to problems down the line, including the Nuclear Decommissioning Authority's procurement and

82 Committee of Public Accounts, Clinical correspondence handling at NHS Shared Business Centres, Fourth Report of Session 2017–19, HC 396, 29 November 2017, Summary, p 3

83 Committee of Public Accounts, Rail franchising in the UK, Thirty-Fifth Report of Session 2017–19, HC 689, 27 April 2018, para 4, p 7

84 Committee of Public Accounts, Brexit and the UK Border, Seventh Report of Session 2017–19, HC 558, 8 December 2017, Summary, p 4

85 Comptroller and Auditor General, The Customs Declaration Service, Session 2017–19, HC 241, National Audit Office, 13 July 2017, para 1.4 and Figure 1, pp 10–11

management of the contract to clean up the Magnox nuclear reactor sites,[86] and HMRC's design of a contract to deliver checks on error and fraud in tax credits claims,[87] both of which failed badly.

Government's relationship with its key contractors

Alongside our ongoing concerns and work on data, contract management and the relationship between Cabinet Office and departments is our overarching look at the Government's strategic suppliers.

Carillion was one of 28 strategic suppliers, which are companies with over £100 million of business with central Government.[88] Following the collapse of Carillion, the House of Commons resolved that the Committee receive the Government's risk assessments of its Strategic Suppliers. We published the risk assessments relating to Carillion in May.

Since then we have heard from several of the strategic suppliers about their relationship with Government. We are examining the role of Cabinet Office, and particularly the Crown Commercial Service, in procuring and managing contracts with these suppliers.

We are also looking at how the strategic suppliers treat their sub-contractors, including small and medium sized enterprises, such as how promptly they pay them. This was a particular concern with Carillion, which was reportedly taking up to 120 days to pay its contractors.[89]

Cost shunting

Cost shunting, where savings in one department or body can lead to costs being passed on to another, continues to be a concern.

On housing, we looked at the rise in homeless households. As part of its welfare reforms to reduce spending on benefits, the Government brought in a cap on local housing allowance. This cap bears no relation to the costs of private rents in many parts of the UK. In Bristol, the average rent for a three-bedroom house in the private sector is £1,200 per month whereas the money available through the LHA is £780. The number of landlords willing to let properties to those on housing benefit has fallen and even housing associations are saying they are worried about letting properties due to tenants' access to benefits.[90]

It then falls to already stretched local authorities to pick up the pieces. There are over 78,000 households in temporary accommodation[91] and between 2013–14 and 2015–16 spending on temporary accommodation rose from £622 million to £845 million.[92] And

86 Committee of Public Accounts, The Nuclear Decommissioning Authority's Magnox Contract, Twenty-First Report of Session 2017–19, HC 461, 28 February 2018, conclusion 4, p 6

87 Committee of Public Accounts, HMRC's contract with Concentrix, Fifty-First Report of Session 2017–19, HC 998, 6 April 2017, Summary, p 3

88 Committee of Public Accounts, Government risk assessments relating to Carillion, Forty-First Report of Session 2017–19, HC 1045, 23 May 2018, para 1, p 3

89 Mike Cherry, Carillion small businesses must be paid, Federation of Small Businesses Press release, 15 January 2018

90 Committee of Public Accounts, Homeless households, Eleventh Report of Session 2017–19, HC 462, 20 December 2017, para 8, p 10

91 Ibid, Summary, p 3

92 Ibid, para 3, p 8

this has far wider implications. Children who are living in temporary accommodation miss an average of 55 school days due to the disruption caused by moves.[93] A huge impact on young lives.

The Department for Work and Pensions failed to acknowledge the impact its reforms were having, with the Permanent Secretary telling the Committee that it was down to the choices that people made to live in an expensive part of the country.[94] This demonstrates a complete lack of understanding of the reality of people's lives and the lack of choices many people have.

We looked at the rise in emergency admissions to hospitals. Around a quarter of emergency admissions to hospital could and should have been avoided but pressures in community and social care saw these patients in hospitals rather than supported at home or in residential care.[95] The lack of a long-term funding solution for social care will continue to add to NHS costs.

Capital transfers, where departments transfer budgets designated to be spent on capital to their revenue budgets, are also of grave concern. While it may help to balance the books in the short term, the Government needs to consider the far greater long term costs and consequences on services of under-investment in our assets. Take the Department of Health and Social Care's transfer of capital funds to cover essential areas of spending, such as maintaining buildings, facilities and equipment. The Department has not assessed the impact on sustainability of services and delivery of patient care in the longer term.

Single departmental plans

Last year I highlighted that while Single Departmental Plans were a good innovation in principle, they were not yet fit for purpose.

The latest iteration of SDPs, published in May, are still falling short of what is required to deliver the transparency and accountability they are designed for.

The plans show that departments are attempting to balance their existing priorities with the new priorities resulting from the UK's exit from the European Union.

However, I am disappointed by the lack of detail contained within the plans. Despite our recommendation in February 2018, there is no indication of how exactly departments plan to resource their additional priorities, in terms of either staffing or budget.[96]

Very few seem to have dropped previous commitments, and there is no clarity as to what has been de-prioritised as a result of the new EU exit work, another recommendation that we made. The Government response was that previous iterations of plans remain available

93 Ibid, para 5, p 9
94 Ibid, para 11, p 10
95 Committee of Public Accounts, Reducing Emergency Admissions, Forty-Fourth Report of Session 2017–19, HC 795, 8 June 2018, para 4, p 8
96 Committee of Public Accounts, Exiting the European Union, Eighteenth Report of Session 2017–19, HC 467, 7 February 2018, recommendation 2, p 5

and could be used to monitor progress.[97] Not only would it be hugely time-consuming to compare the current to previous iterations, but they are not straight-forwardly available. Hardly the model of transparency.

Departments produce an internal version of their plans in addition to the high-level summary SDPs which are published on the Government's website. These include more detail on the management of day-to-day business and resources.

Transparency would be greatly improved if departments published more of their detailed plans.

The proof of the pudding will be in how effectively SDPs are helping Government actually make realistic and joined up business plans over the short- to medium-term and deliver on them.

A well drawn up, detailed SDP would be a useful tool for new ministers. It would, at a glance, highlight business as usual work and help ministers understand the impact of policy changes on existing projects.

Career development in the civil service

Skill development in the civil service continues to be an issue of concern and Brexit has reinforced the need for large numbers of new civil servants and different skill sets.

The difficulties in setting up the new Department for Exiting the European Union saw the Department drawing skills and staff from across Whitehall. The suggestion that DExEU cherry picked the best staff raises concerns about a brain drain in other departments. And it is unclear what will happen to the new wave of recruits drafted in to handle Brexit once we have left the EU. Since the EU referendum the number of civil servants has increased every quarter, with one in six roles that had been cut since the 2010 spending review now reversed.[98]

We've seen two new Permanent Secretaries appointed in the past year, Philip Rycroft at DExEU in October 2017 and Peter Schofield at the Department for Work and Pensions in January 2018. I am clear that Permanent Secretaries should have direct experience of running or managing a major project.

Restoration and renewal

In January, the House of Commons voted to plan for the restoration and renewal of Parliament.

The Palace of Westminster is a world heritage site, which means it comes under UNESCO rules. Under these rules the UK Treasury is responsible for funding the building and making sure it is preserved as a world heritage site. By December 2018 the Government has to provide information to UNESCO about its plans for the building. In 2019 UNESCO's committee will consider the Government's decisions and proposals and assess whether they are acceptable and will do enough to preserve this world heritage site.

97 HM Treasury, Treasury Minutes, Government response to the Committee of Public Accounts on the Twelfth to the Nineteenth reports from Session 2017–19, Cm 9596, March 2018, para 2.5, p 34

98 Gavin Freeguard, Government plugs gaps in prison service staff, Institute for Government, 14 June 2018

Since the vote there has been little progress and a reported reluctance by Government to put forward the bill which would enable this work to start in earnest.

The PAC previously looked at the options for restoration and renewal[99] and concluded, on the basis of our experience of looking at major projects and the work of the Joint Committee on the Palace of Westminster,[100] that decant and refurbishment was the best option.

We are very mindful of the cost and will continue to keep a close eye on the plans. But the terrible fire in the Glasgow School of Art just underlines the risk to Parliament. Fire patrols have increased and a catastrophic event is a constant threat. We need to get on with it.

Devolution

It's now a year since the new wave of City Regional Mayors were elected in Greater Manchester, the West Midlands, Cambridgeshire and Peterborough, the Tees Valley, Liverpool City Region and West of England, but central Government seems to have gone quiet on devolution.

We have also recently seen the election of a Sheffield City Region Mayor, although the deal for the region is yet to be agreed and there remains great uncertainty.

We see no progress on how the Government will monitor funding being devolved down the line.

The Centre for Public Scrutiny has called for local public accounts committees to monitor spending.[101] But this will require a huge local commitment in resources and so far no Mayor has indicated that this is a priority.

I urge the Mayors to consider how they will explain local spending and outcomes to their constituents now. If they start now they will be able to track Government spending locally and prove to their constituents what they have delivered. This cannot be a bolt on after the event.

99 Committee of Public Accounts, Delivering restoration and renewal, Forty-Fifth Report of Session 2016–17, HC 1005, 10 March 2017

100 Joint Committee on the Palace of Westminster, Restoration and Renewal of the Palace of Westminster, First Report of Session 2016–17, HC 659, HL Paper 41, 8 September 2016

101 Centre for Public Scrutiny, Local Public Accounts Committees—discussion paper, February 2018

Formal Minutes

Wednesday 4 July 2018

Members present:

Meg Hillier (in the Chair)

Chris Evans	Anne Marie Morris
Caroline Flint	Bridget Phillipson
Gillian Keegan	

Draft Special Report (*Third Annual Report of the Chair of the Committee of Public Accounts*), proposed by the Chair, brought up, read the first and second time, and agreed to.

The Third Annual Report of the Chair of the Committee of Public Accounts was appended to the Report.

Resolved, That the Report be the Second Special Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

[Adjourned till Monday 9 July 2.30 pm