



House of Commons  
Committee of Public Accounts

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# Fourth Annual Report of the Chair of the Committee of Public Accounts

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**Third Special Report of  
Session 2017–19**

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to be printed 24 June 2019*

## The Committee of Public Accounts

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### Committee staff

The current staff of the Committee are Richard Cooke (Clerk), Laura-Jane Tiley (Second Clerk), Hannah Wentworth (Chair Liaison), Ameet Chudasama (Senior Committee Assistant), Baris Tufekci (Committee Assistant), Hajera Begum (Committee Support Assistant) and Stephen Luxford (Media Officer)

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## Third Special Report

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On 26 June 2019 the Chair of the Committee published a report setting out her analysis of issues to watch across Whitehall, informed by the work of the Public Accounts Committee. The Chair's report is published as an appendix to this report.

## Appendix: Fourth Annual Report of the Chair of the Committee of Public Accounts

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### Chair's foreword

Brexit may be dominating the headlines but as my annual report highlights there are many serious issues that Government needs to tackle. The new Prime Minister needs to seriously plan how to manage the issues that are not directly Brexit related. Many of these have an immediate impact on the user—such as school funding or the need to tackle recruitment in the NHS so that patients can receive treatment in appropriate timescales.

Other decisions may not cause an immediate issue but will store up problems for the future—defence spending is a classic example. There may not be big political kudos in tackling these issues today but there are huge financial and service consequences of deferring difficult decisions, as our recent reports on decommissioning nuclear submarines shows.

Good politics needs to be about planning for the long term as well as dealing with today's concerns and reacting to events. Brexit preparations continue to dominate the machinery of Whitehall and there needs to be serious action to ensure that other important issues don't get overlooked.

My report provides a snap shot from my unique perspective as chair of a committee that examines government projects in detail. Since my last report we have examined over 50 separate government projects and programmes. We also regularly call back departments when we have ongoing concerns about a project—the Emergency Services Network tops the list.

My departments of concern remain similar to previous years and any future Prime Minister should consider the workload and upheaval in departments before announcing new initiatives. If they don't there is a risk that programmes will not deliver. For example, the Ministry of Justice is currently unpicking the probation reforms introduced in 2014 but just doing this is a major project in its own right.

Government has to tackle large and complex issues. It is inevitable that there will be things that go wrong—or change. Time alone can throw up challenges that were unforeseen or unpredictable at the beginning of a large project. But it is vital that Government learns from mistakes and too often we still see these issues repeated.

One stand-out concern for me is that too often the user or consumer is not considered at an early stage of planning. We see this starkly with large scale rail projects where the

engineering challenges can overshadow passenger needs. And in our most recent inquiry into the sale by Network Rail of its railway arches the tenants' concerns were only properly considered when the tenants themselves launched a vocal campaign.

One of my ongoing ambitions is to persuade departments to allow the Public Accounts Committee and National Audit Office early access to projects—so that we can examine them before they get going. I believe this could save taxpayers billions of pounds.

This year saw the departure of Sir Amyas Morse as Comptroller and Auditor General at the end of his ten-year term of office. He modernised the role and has made a huge contribution to ensuring Whitehall ups its game. I welcome Gareth Davies as the new C&AG and look forward to working with him.

I cannot undertake my role without the support and hard work of my Public Accounts Committee colleagues, from four political parties. I thank them for all their work. Our endeavour is very much a team effort and we share a strong sense of purpose in challenging Government to tackle waste and inefficiency and deliver effectively for our constituents.

## 10 key challenges

### 1. *Brexit*

The heat and passion around Brexit can crowd out the cool-headed analysis of what is actually happening in Whitehall in preparation for leaving the EU. The Public Accounts Committee's reports have highlighted the multiple practical challenges: and for society and the economy to function these matter.

Brexit is also crowding out other issues of vital importance which my report highlights.

### 2. *Government procurement*

Government procurement and the ability of the civil service to both draw up and manage contracts is a concern that has, unfortunately, not diminished. It is frustrating that we see the same pattern of mistakes repeated consistently across Government.

### 3. *Busted contractor model*

Successive governments have allowed a culture to develop where a small number of large companies run a lot of public services. There is a growing acknowledgement that the issue needs to be addressed – the lack of accountability, transparency and the fact that too many are too big and too important to fail. The committee continues to see contracts which are performing poorly but where there is little option but to continue. Many companies failing on one area of Government continue to win contracts elsewhere. If a supplier is performing poorly on a contract (and the Government's own dashboard of strategic supplier performance highlights every concerning contract) then there needs to be, at least, far more rigour applied when letting a future contract.

For critical services the Government is always the supplier of last resort and thus always the ultimate holder of risk. But for Brexit this issue would, and should, be getting more attention.

#### **4. Rail franchising**

This is not working in its current form. The warning signs of a market that is not delivering are clear – franchises being extended, few bidders for new franchises and operator failures. The needs of rail traveller are too often at the bottom of the list. When the Committee published its last report on franchising both Keith Williams (who is heading up the root and branch review of the rail system) and Network Rail hinted that the rail network may be broken up into regional parts.<sup>1</sup> There is wide acknowledgement that the system is not working.

#### **5. Constant reorganisation**

Whether it is local economic development, health or local government we see all governments look to reorganise services as a solution to delivery. Too often we see organisations established with too little thought about what they are trying to achieve. This year we have seen the ending of contracts for Community Rehabilitation Companies and changes to Local Enterprise Partnerships. Both could have been established better at the beginning. We have also seen changes to delivery bodies in the NHS with a serious lack of local accountability. If MPs are confused about which body is responsible for different parts of the NHS no wonder citizens are confused.

#### **6. Turnover at the top of Government**

The turnover of Permanent Secretaries and senior civil servants is very rapid (see page 17-18). This lack of continuity is particularly unhelpful with Brexit dominating the work of so many departments. Not only are there genuine issues around service delivery but also a lack of accountability.

The frequent turnover of ministers is also a symptom of Brexit. It often leads to disjointed policy making and a stop start approach on projects. There needs to be a better handover between ministers. I had the rare chance to do this when I was the first minister to have a dedicated maternity cover. In normal circumstances this type of handover is rare and haphazard. It should be routine.

#### **7. Use of ministerial directions**

When I joined the PAC eight years ago the civil service saw ministerial directions as a sign of the failure of the relationship between the accounting officer and ministers. We have seen very few ministerial directions in spite of Brexit (see page 19). Ministerial directions underline accountability where a decision is clearly a political one. Neither ministers nor senior civil servants should see these as a negative.

#### **8. Social care**

Social care is a can that is being kicked further down the road as a result of Brexit. There is a broad political consensus that this needs to be tackled but little is being achieved as crisis planning for Brexit is absorbing time and money.

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1 Department for Transport, The [Williams](#) Rail Review March 2019, accessed 24 June 2019

## 9. Spending Review

Another casualty of Brexit: the uncertainty over whether, or when, the next spending review will take place is a big concern. The spending plans of departments effect many services which directly serve the citizen. With no clear plans for future spending I expect some serious impacts on services at the front line and the lack of ability to plan ahead will prove costly in pounds as well as service quality.

## 10. Transparency

Government is too ready to hold information close and use a raft of reasons for not publishing. I highlight in this report some of the challenges of securing information about Brexit preparations. The Public Accounts Committee has seen a number of confidential papers from Government. Most of these reveal little that is of surprise to anyone with any sector specific knowledge. We need a far more open approach to publishing information.

## Departments of concern

### Education

1. The Department for Education now tops my departments of concern. The continuing financial strain in schools, lack of grip over academies and failure to improve children's social care combine to present a worrying situation.
2. Last year, in summarising the financial strain on schools, I highlighted that cash shortages had led to many schools reviewing their options, with some considering reducing school hours to save money.<sup>2</sup> We asked the Department and, in turn, Ofsted about the impact of funding pressures on the quality of education, but Ofsted has been unable, or unwilling, to tell us.<sup>3</sup> The Education Committee's recent inquiry into school and college funding only confirmed our concerns: teachers' unions and professional bodies described the funding situation, including capital funding cuts, as a crisis, with schools making cuts and using up their reserves.<sup>4</sup>
3. Academy trusts are now responsible for educating nearly half of all children in state-funded schools in England.<sup>5</sup> We found that the Department's oversight of academies needs to improve. There has been a succession of high-profile academy failures that have damaged children's education and been costly for the taxpayer.<sup>6</sup>
4. The Department is also responsible for children's social care, which supports some of the most vulnerable children and young people in our communities. It is in a poor state. Despite some improvements, 58% of local authorities are assessed as below Good by Ofsted, which the Department acknowledged as "terrible".<sup>7</sup>

2 Committee of Public Accounts, [Third Annual Report of the Chair of the Committee of Public Accounts](#), Second Special Report of Session 2017–19, HC 1399, 5 July 2018, para 3, p 7

3 Committee of Public Accounts, [Academy accounts and performance](#), Seventy-Third Report of Session 2017–19, HC 1597, 23 January 2019, conclusion 6, p 7

4 Education Committee, [Oral evidence: Schools and College Funding](#), HC 969, 6 November 2018, Qq 158, 159, 161

5 Committee of Public Accounts, [Academy accounts and performance](#), Seventy-Third Report of Session 2017–19, HC 1597, 23 January 2019, summary, p 3

6 [Ibid.](#)

7 Committee of Public Accounts, [Transforming children's services](#), Eighty-Eighth Report of Session 2017–19, HC 1741, 22 March 2019, conclusion 5, p 7

5. Children’s social care is increasingly becoming financially unsustainable with the proportion of local authorities that overspend on children’s social care increasing from 63% in 2010–11 to 91% in 2017–18.<sup>8</sup> The Department is still failing to do enough to ensure the sustainability of the quality, or finances, of children’s social services.<sup>9</sup> Some local authorities have been raiding their reserves and taking funding away from other services, options which the Department knows have only a limited shelf life.<sup>10</sup> Unless the Department develops its understanding of the demand pressures on the service it will struggle to make a compelling case for adequate resources.<sup>11</sup>

### **Health and Social Care**

6. Over the last three years, the sustainability of finances in the Department of Health and Social Care has been an ongoing concern. The 2017–18 Annual Report and Accounts showed that the NHS achieved a balanced position overall. However, this masks deficits at a local level: in 2017–18, 101 of the 234 NHS Providers (NHS Trust and Foundation Trusts) were in deficit at the end of the financial year and NHS Providers reported a total deficit of £991 million.<sup>12</sup> It is unacceptable to simply offset surplus and deficits across the entire organisation in the presentation of overall budget results.

7. Financial sustainability influences patient care. Funding is not reaching the right parts of the system. We have seen the reality of financial pressures at Trust and local level: as we found in April this year, waiting times for cancer and elective care are increasing with significant variation between regions.<sup>13</sup>

8. To achieve overall financial balance, NHS England relies on short-term fixes to tackle long-term problems. Emergency measures do not generate sustainable strategies. For example, since 2014–15, the Department has used money originally intended for capital projects (to buy or improve an asset) to cover a shortfall in the revenue budget. This cost-shunting peaked at £1.2bn in 2016–17 and is expected to cease from 2020–21.<sup>14</sup> While cost-shunting may meet immediate service needs it is achieved at the sacrifice of long-term investment.

9. I welcome the overall ambition of the NHS long term plan. Having called for long-term funding for a number of years, I believe this is fundamental to the financial sustainability of the NHS. However, while welcoming the ambition of more than halving the number of Trusts reporting a deficit by 2019–20 and for no Trust to be reporting a deficit by 2023–4, it remains far from clear how organisations furthest away from breaking-even will be supported to achieve financial balance. Again, there appears to be an inherent lack of understanding about the financial picture at local level. In the face of rising demand, the level of improvement Trusts and Clinical Commissioning Groups (CCGs) need to make within such a short timeframe cannot be underestimated.

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8 [ibid](#), para 10, p 9

9 [ibid](#), summary, p 3

10 Committee of Public Accounts, [Oral evidence: Transforming children’s services](#), HC 1741, Qq 103, 124

11 Committee of Public Accounts, [Transforming children’s services](#), Eighty-Eighth Report of Session 2017–19, HC 1741, 22 March 2019, conclusion 2, p 5

12 Committee of Public Accounts, [Department of Health and Social Care accounts 2017–18](#), Seventy-First Report of Session 2017–19, HC 1515, 19 December 2018, Summary, p 3

13 National Audit Office, [NHS waiting times for elective and cancer treatment](#), 22 March 2019

14 Committee of Public Accounts, [NHS financial sustainability: progress review](#), Ninety-first report of Session 2017–19, HC 1743, 3 April 2019

10. Staffing shortages is one of the biggest challenges facing the NHS in delivery of its long-term plan. The current number of vacancies is unsustainable: there are more than 100,000 vacancies (1 in 11 posts) across the NHS, with around 40,000 vacancies for nurses.<sup>15</sup> Again, there is striking variation across geographical areas and specialisms, with shortages of consultants, acute physicians and emergency physicians.

11. The UK's exit from the EU has also created uncertainty over staffing: there is the risk that existing workforce shortages may be exacerbated. The Department has given us some assurances: the number of people from the EU working in the NHS has increased since the referendum, it is committed to expanding the British workforce and it is working with the Home Office on future immigration policy reflecting the need to recruit more permanent staff for the NHS. These are, however, at the moment, just ambitions. The Department does not appear to have a clear plan for recruiting staff after UK leaves the EU. We are concerned that it still has not published its interim workforce plan, despite committing to do so by the end of April 2019.

12. Long term financial and staffing pressures are encapsulated in the issues facing mental health services for children and young people, which we investigated at the end of last year. Services are over-stretched: in 2017–18, only three in ten young people with a mental health condition received NHS-funded treatment and many more encountered unacceptably long waits.<sup>16</sup> NHS England said that recruitment and retention of the workforce was the single biggest risk to achieving its ambitions for mental health services for children and young people. We need to see clear action to tackle these problems.

## Defence

13. The Ministry of Defence (MoD) remains a primary department of concern with a looming hole in its budget and an affordability gap in its Equipment Plan of at least £7 billion. This funding gap, by the MoD's own estimates, could be as much as £14.6 billion.<sup>17</sup>

14. Concerns about the impact of spending constraints on the MoD are well known and widely reported. The Department secured an additional £1.8 billion in funding last year. However, with so many high-stakes projects, all with justifiable competing demands for money, it is unclear where and how resources will be allocated. The Permanent Secretary told us that the MoD “has calls on resources that are very large and more unpredictable than we would like”.<sup>18</sup> Whilst MoD projects are by their nature often long term and expensive I am unconvinced demands on the MoD's resources are uniquely unpredictable.

15. Our inquiry into Submarine Defueling and Dismantling demonstrated what can happen when less pressing, and less time-sensitive projects are deprioritised in pursuit of cost savings.<sup>19</sup> The MoD's savings decisions contributed to the huge delays of this project resulting in dismantling work drastically behind schedule: seven of the stored submarines have now spent longer out of service than they did in service; and the MoD has now

15 Committee of Public Accounts, [NHS financial sustainability: progress review](#), Ninety-first report of Session 2017–19, HC 1743, 3 April 2019

16 Committee of Public Accounts, [Mental health services for children and young people](#), Seventy-second report of Session 2017–19, HC 1593, 11 January 2019

17 Committee of Public Accounts, [Defence Equipment Plan](#), Seventy-Seventh Report of Session 2017–19, HC 1519, 1 February 2019

18 Committee of Public Accounts, [Oral evidence: Military Homes](#), HC 2136, 8 May 2019, Q 118

19 *Ibid.*, Qq 3,13, 76, 89, 101

spent half a billion in maintenance and storage costs at the dockyards in Rosyth and Devonport.<sup>20</sup> The projects needed to allow disposal to happen have been beset by delays, with an 11-year delay to defueling and a 15-year delay to dismantling. The Department will not be able to meet its commitment to fully dismantle its first submarine—HMS Swiftsure—in 2023 and is now aiming for 2026.<sup>21</sup> The MoD expects to restart its defueling work in 2024.<sup>22</sup> However, we are not convinced that this is achievable. The MoD does not have a fully funded plan for this project and given the persistent delays in the project so far, it is difficult to see this date being met. We encourage the department to take ownership of and put momentum behind a project that has been deprioritised and overlooked for too long.

16. Over the past two years, the Committee monitored the progress of the ambitious and costly Carrier Strike programme. We are conscious that costs could spiral out of control and that the MoD's focus on Carrier Strike might result in under-staffing and under-funding on other less high-profile projects. The UK secured sole Tier One partner status in Carrier Strike's F-35 programme by providing additional funding and expertise to the project. We expect the MoD to monitor and minimise any negative impact now that that Tier One status has ended. We have wider concerns over skills and the development and retention of people within the MoD. The Committee intends to examine this further over the coming year.

17. Our inquiry into Military Homes returned to the MoD's contract with Annington Homes, originally agreed in 1996. The current Permanent Secretary admitted that the original deal was "a poor one": an observation which can only be described as an understatement.<sup>23</sup> The MoD is now in rent review negotiations with Annington. We have received reassurance from both the Department and UK Government Investments that negotiations are progressing but the deal was stacked in favour of Annington Homes 20 years ago and even a well negotiated deal today is only good within imperfect parameters.<sup>24</sup> We will be watching the progress of negotiations keenly and expect the MoD to strike a deal that is as favourable to the taxpayer as possible. Whilst nothing can now be done to rectify the damage and losses incurred since 1996, we hope that the department can at least go some way in moving on from, and rebalance the terms of, the original deal.

18. Beyond this, we remain concerned about the state of the housing stock for service personnel in general. We will consider the outcome of the much-delayed pilots of the MoD's Future Accommodation Model and reviewing how the MoD applies the lessons learned from these in order to improve the standard of accommodation provided to service personnel and their families. Defence housing is an embarrassment and, I believe, impacts on retention.

19. The new Secretary of State for Defence—Penny Mordaunt—will have to get to grips quickly with these issues and prioritise accordingly.

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20 Report by the Comptroller and Auditor General, [Investigation into submarine defueling and dismantling](#), Session 2017–19, HC 2102, 3 April 2019

21 Committee of Public Accounts Report, [Ministry of Defence nuclear programme](#), Sixty-First Report of Session 2017–19, HC 1028, 10 September 2018, para 16, and Committee of Public Accounts Report, [Submarine defueling and dismantling](#), One Hundred and First Report of Session 2017–19, HC 2041, 19 June 2019, para 10

22 Committee of Public Accounts Report, [Submarine defueling and dismantling](#), One Hundred and First Report of Session 2017–19, HC 2041, 19 June 2019, para 9

23 Committee of Public Accounts, [Oral evidence: Military Homes](#), HC 2136, 8 May 2019, Q 15

24 *Ibid*, Q 21

## Ministry of Justice

20. The Ministry of Justice (MoJ) has kept up its track record of over-ambitious timetabling and poor project management at a significant cost to the taxpayer. During our recent inquiry on the progress of the transforming rehabilitation programme, the MoJ acknowledged mistakes it had made with this project, telling us that the programme “has not delivered for the taxpayer all the outcomes that the public would expect”.<sup>25</sup> The department’s greater willingness to acknowledge past errors is welcome but provides little comfort until we see evidence that the lessons of those errors have been learned.

21. Our report into HM Courts & Tribunals Service’s (HMCTS) £1.2 billion modernisation programme challenged the scale and pace of reforms. Whilst elements of such reforms had been introduced abroad, no other country attempted to change its entire court system within a similar timeframe. The additional cost-saving pressures meant HMCTS failed to either meaningfully consult with stakeholders or adequately test and review the impact of its reforms. This has risked HMCTS presiding over a system which offers poorer access to justice for vulnerable users.<sup>26</sup>

22. I also remain to be convinced that HMCTS’ purported savings of £265 million per year are genuine and not just another illustration of cost shunting. Changes banked as ‘efficiency savings’, for instance the increased use of video hearings, can simply create costs for other taxpayer-funded organisations. In this case, the police and prison service who are compelled to purchase the necessary technology and ensure the additional staffing required to supervise defendants. The consequences of cost-shunting within the MoJ needs to be better considered and understood given that we know that so many parts of the system are under significant financial strain. I am concerned that the department has not applied enough of a long-term view to the overall financial impact of its reforms. However, I welcome the MoJ accepting our recommendation that it work with HM Treasury to quantify the reforms’ financial implications on the wider justice system. The committee will keep a close eye on this.

23. Similarly, a silo approach to managing taxpayer money permeates the MoJ’s ‘Transforming Rehabilitation’ programme. Introduced to the public as a ‘rehabilitation revolution’ it has instead shown itself to be a contracting catastrophe.<sup>27</sup> The failure was a textbook case of inadequate piloting, poor modelling, and a ‘black box approach’ in which the Government divested itself of responsibility to understand how financial savings could be achieved safely and sustainably whilst simultaneously driving up standards. The resulting underfunded and fragile probation market has a track record of provider failure: two out of the original eight private sector suppliers managing Community Rehabilitation Companies (CRCs) have since entered administration (Working Links and Interserve). Cutting their losses, the Government decided to terminate the contracts fourteen months early. The entire package of reforms has let down offenders, let down the hardworking staff in the justice sector, and let down the taxpayer to the tune of at least £467 million.<sup>28</sup>

25 Committee of Public Accounts, [Oral evidence: Transforming rehabilitation: progress review](#), HC 1747, 13 March 2019, Qq 6, 17, 28

26 Committee of Public Accounts, [Transforming courts and tribunals](#), Fifty-Sixth Report of Session 2017–19, HC 976, 20 July 2018

27 Chair’s comments on the publication of the Committee of Public Accounts report on [Community Rehabilitation Contracts](#)

28 Committee of Public Accounts, [Transforming rehabilitation: progress review](#), Ninety-Fourth Report of Session 2017–19, HC 1747, 3 May 2019

24. Through the Gate (TTG) services, set up to provide employment and housing support for ex-offenders to reduce reoffending provides another example of performance failure which ultimately resulted in costs moving elsewhere in the system. Poor staff training, insufficient understanding of offering tailored support, and a culture prioritising targets above addressing specific needs, meant the costs of failure were ultimately picked up by the taxpayer elsewhere. Furthermore, the true impact of TTG's failures on both communities and ex-offenders is difficult to quantify and both have been badly let down.

25. I welcome the MoJ's commitment to learning lessons from previous projects and the senior team appear thoughtful, however, they have inherited a series of very challenging issues. Not only this, but we have just seen another reshuffle at the department and the loss of the prisons minister: there remains a big task ahead.

### HMRC

26. HM Revenue & Customs (HMRC) is a department under pressure, and, in some areas, the cracks are showing. It has a long-standing problem with error and fraud in Tax Credits, with an estimated £1.3 billion lost in overpayments in 2016–17 alone.<sup>29</sup> HMRC has a responsibility to UK taxpayers to make sure that taxes and tax reliefs are properly managed. We are frustrated that HMRC expects the rate of Tax Credit overpayment to increase; de-prioritising action because Tax Credits are being replaced by Universal Credit.<sup>30</sup> It is also not doing enough to improve the administration of Pay As You Earn by some employers and pension providers. This is unacceptable, because poor administration leads to errors in tax collection, causing problems for taxpayers and errors in Tax Credits and Universal Credit.<sup>31</sup>

27. HMRC's handling of online VAT fraud is a subject we follow closely. Too many overseas traders using online marketplaces such as Amazon and eBay are not charging VAT as they should when selling in the UK, which is hitting UK businesses hard.<sup>32</sup> Although we found that HMRC has taken steps to begin tackling the problem, its slowness to respond and the size of the task at hand, is concerning.<sup>33</sup>

28. HMRC has a critical role in preparing for the UK's exit from the EU; it is responsible for managing the risks to customs and borders. HMRC needs to take steps to protect UK businesses, so they are not negatively impacted by the UK's exit from the EU. We were frustrated and disappointed by HMRC's lack of communication with businesses which may need to start making customs declarations in the event of a no-deal Brexit. We were concerned at HMRC's lack of plans to protect UK businesses in the event of a no-deal Brexit and its failure to communicate and engage with business about potential changes in customs rules and procedures. Its engagement with software developers to make the necessary system changes only happened very late in the day.<sup>34</sup>

29 HMRC, [Annual Report and Accounts 2017–18](#), 12 July 2018, p 160 and para 3.5, p 270 (Report by the Comptroller and Auditor General)

30 Committee of Public Accounts, [HMRC's performance 2017–18](#), Sixty-Sixth Report of Session 2017–19, HC 1526, 24 October 2018, summary, p 3

31 *Ibid*, conclusion 4, p 6

32 Committee of Public Accounts, [Progress in tackling online VAT fraud](#), Forty-Ninth Report of Session 2017–19, HC 1304, 29 June 2018, summary, p 4

33 *Ibid*, p 3 and 4

34 Meg Hillier, [The Customs Declaration Service](#), Letter to the HMRC Chief Executive and Permanent Secretary, 2 October 2018

29. We were also disappointed that HMRC's progress replacing its ageing customs system, used to process customs declarations, has been beset by delays. This is despite HMRC's repeated assurances.<sup>35</sup> In the lead up to the UK's original date to leave the EU HMRC instead focused on scaling up its existing customs system to ensure it could deal with the increased volume of activity it would need to process.<sup>36</sup> While this was a reasonable approach there had been earlier optimism that the new system would be ready in time for the original Brexit date of 29 March.

## DEFRA

30. The Department for Environment, Food and Rural Affairs (DEFRA) is the department potentially most affected by Brexit. The Department told us in February 2019 that it currently had "about 2,500 people" working on Brexit.<sup>37</sup> It is responsible for critically important commodities and EU legislation frames nearly all of its areas of responsibility, from the imports and exports of food to the regulation of the chemical industry.<sup>38</sup> It is disappointing that the Department's approach is one that has been characterised by over-optimism and inadequate engagement with the business and industry sector.<sup>39</sup>

31. We found the Department to be unrelentingly confident in its preparations for a no-deal Brexit. It was confident that there would be no shortages of food in the event of a no-deal exit from the EU, and it did not expect food to be carried on the additional freight capacity secured by the Department for Transport. Nevertheless, the Department admitted that vulnerable groups could be affected if food prices rose and that a significant disruption to the short straits crossings across the channel would reduce the availability and choice of some foods.<sup>40</sup>

32. DEFRA, together with much of the rest of Whitehall, has been complacent in its engagement with businesses and hampered by excessive secrecy at the centre of Government. We found that many businesses had not been given detailed advice on preparing for the UK's exit from the EU. Generally, when the Department did engage with industry and business about preparedness, it was through umbrella organisations rather than with individual businesses. I am concerned that this disadvantages SMEs and risks leaving them under-prepared and ill-informed.<sup>41</sup>

33. The Department also appeared complacent about the risk of disruption that UK chemical exporters could face in a no-deal Brexit.<sup>42</sup> For example, it relied on guidance being provided to the chemical industry by the European Chemicals Agency, which only published specific guidance for UK companies in February 2019.<sup>43</sup>

35 [Ibid.](#)

36 Committee of Public Accounts, [Oral evidence: HMRC Progress Review](#), HC 1969, 4 March 2019, Qq 118, 119, 125

37 [Ibid.](#), para 22, p 15

38 Committee of Public Accounts, [Brexit and the UK border: further progress review](#), Eighty-Sixth Report of Session 2017–19, HC 1942, 12 March 2019, introduction, p 4

39 [Ibid.](#), conclusions 2 and 3, p 5

40 Committee of Public Accounts, [Brexit and the UK border: further progress review](#), Eighty-Sixth Report of Session 2017–19, HC 1942, 12 March 2019, conclusion 2, p 5 and [oral evidence](#) Q 199

41 Committee of Public Accounts, [Defra's progress towards Brexit](#), Sixty-Eighth Report of Session 2017–19, HC 1514, 14 November 2018, para 7, p 6

42 [Ibid.](#), para 3, p 6

43 Committee of Public Accounts, [Brexit and the UK border: further progress review](#), Eighty-Sixth Report of Session 2017–19, HC 1942, 12 March 2019, conclusion 3, p 6

34. The Department's Brexit-related workload includes developing new arrangements for sectors that will no longer be under EU regulation or bodies. For example, DEFRA is developing new arrangements for farmers if the UK who will no longer be subject to the EU's common agricultural policy.<sup>44</sup> That new policy poses the most dramatic change to UK agriculture in over 40 years.<sup>45</sup> There needs to be urgent consideration about such complex future arrangements which could have a huge impact on the jobs and livelihoods of many citizens.

### Home Office

35. The human cost of the Home Office's creaking systems was laid bare by the Windrush scandal; members of the Windrush generation lost jobs, benefits and access to health care.<sup>46</sup> We found systemic problems within the Department including a failure to protect the legal rights of the Windrush generation and poor-quality systems and data.<sup>47</sup> The Home Office accepted that it should have understood the potential adverse effect of its policies on the Windrush generation.<sup>48</sup>

36. I am not alone in raising concerns about the Home Office's systems and data, it is an issue that has been raised time and time again, including by the Committee in 2014.<sup>49</sup> The Department's quality assurance systems are process-focused, looking at speed and volumes and not the complexity or impact of its decisions.<sup>50</sup> The Home Office must ensure that EU citizens do not face the same issues as the Windrush generation upon the UK leaving the EU.<sup>51</sup>

37. The Home Office's efforts to modernise its Disclosure and Barring Service (DBS) is an example of its failures contracting with external providers. We found inadequate oversight and that the programme has still not yet been fully delivered, seven years after it started in 2012. The DBS must now contend with disputes with the previous suppliers and we were concerned by the Home Office's overly optimistic timetable to appoint a new contractor.<sup>52</sup>

38. The Emergency Services Network (ESN) programme is one the Committee knows well, for all the wrong reasons. It is the new communications system that will allow emergency services to communicate with each other, replacing the ageing Airwave system. The Home Office 'reset' the programme in 2018. Switching off Airwave is now expected to be delayed by at least three years and the forecast cost of ESN has increased by £3.1

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44 The Guardian, [More than two-thirds of Defra staff moved to Brexit-related roles](#), 30 March 2019

45 Report by the Comptroller and Auditor General, [Early review of the new farming programme](#), Session 2017–19, HC 2221, 5 June 2019

46 Committee of Public Accounts, [Windrush generation and the Home Office](#), Eighty-Second Report of Session 2017–19, HC 1518, 27 February 2019, conclusion 1, p 5

47 [Ibid](#), p 8, p 9, p 10

48 [Ibid](#), para 6, p 9

49 [Ibid](#), para 8, p 10

50 [Ibid](#), para 9, p 11

51 [Ibid](#), conclusion 1, p 5

52 Committee of Public Accounts, [Disclosure and Barring Service: progress review](#), Ninety-Third Report of Session 2017–19, HC 2006, 24 April 2019, p 3 and conclusion 1, p 5

billion.<sup>53</sup> In revisiting ESN for the eighth time in May 2019 we heard little to reassure us that users will be confident to switch over from Airwave when the time comes.<sup>54</sup> This saga is an example of over optimism.

## Key challenges and issues

### **BREXIT**

39. In my last annual report, I expressed the frustration of the Public Accounts Committee and some of our sister select committees at the Government's reluctance to share information about the plans, preparation or costs of Brexit with Parliament.<sup>55</sup> Our work on Brexit over the past 12 months have highlighted that this lack of transparency applies not only to Parliament, but also within the Whitehall machinery, and, crucially, the stakeholders, businesses and public that are expected to be able to accommodate new systems and processes at short notice. When departments have consulted with stakeholders it has often taken place under the cloak of non-disclosure agreements, which have prevented industries and business communities from preparing, and developing their own plans.<sup>56</sup>

40. Over the past year the scale and complexity of the tasks faced by departments has become more evident. Whitehall's ability to plan for Brexit has been hampered by uncertainty about the precise terms of the UK's future relationship with the EU. Departments such as Defra have had to prepare options for several different scenarios, which has sucked in staff from other activities and increased costs. For example, several departments are procuring new IT systems. This Committee knows from long experience that Government IT projects are prone to delays and cost overruns. We have been concerned that departments are expected to deliver these changes to a hard deadline and uncertainty about the precise nature of the final shape of the relationship with the EU adds to the risks.

41. Preparing for the UK's exit from the EU has put immense strain on Whitehall and departments have relied heavily on external consultants to plug gaps in resources and knowledge. We are concerned that the normal, prudent, transparent processes used to procure and report on the use of consultants have been ignored or diminished. We questioned the Permanent Secretary at the Cabinet Office about departments' spending on consultants and will be seeking further information and clarification in the coming months.

42. I am becoming increasingly concerned that departments are struggling to cope with Brexit preparations in addition to existing commitments and 'business as usual'. Departments have had to reprioritise, and activities have been paused, abandoned or scaled back. Large numbers of staff have been recruited to help develop and deliver the

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53 Comptroller and Auditor General, [Progress delivering the Emergency Services Network](#), Session 2017–19, HC 2140, 7 May 2019, p 4 and p 7

54 Committee of Public Accounts, [Oral evidence: Emergency Services Network: progress review](#), HC 1755, 22 May 2019, Qq 169, 170, 171

55 Committee of Public Accounts, [Third Annual Report of the Committee of Public Accounts](#), HC 1399, 5 July, p 12 and p 13

56 Committee of Public Accounts, [Department for Transport's implementation of Brexit](#), Seventieth Report of Session 2017–19, HC 1657, 28 November 2018

plans for Brexit. Establishing the systems to ensure that the right staff, with the right skills, experience and training are in the right job is a challenge across Whitehall. Over the coming years the PAC will be scrutinising the impact of these decisions.

### *Lack of transparency in academies*

43. Academy trusts are directly funded by, and accountable to, the Department for Education via the Education and Skills Funding Agency and received £20 billion of Departmental funding in 2017–18.<sup>57</sup> As of January 2018, there were around 7,500 academy schools, teaching an estimated 47% of all pupils in England.<sup>58</sup>

44. We found that the Department's focus on converting large numbers of schools to academies quickly was at the expense of rigorous due diligence checks and risk assessment.<sup>59</sup> The Department is statutorily required to direct all maintained schools that Ofsted has rated as inadequate to become academies, with the support of a sponsor.<sup>60</sup> Most sponsors, which the Department approves, are groups of schools which have formed to multi-academy trusts.<sup>61</sup> The larger the size of the multi-academy trust the greater the impact of any failure.

45. A number of academies have failed.<sup>62</sup> I highlighted the appalling example of Whitehaven Academy, run by multi-academy trust sponsor, Bright Tribe in last year's annual report. The school went into special measures.<sup>63</sup> The strength and determination of the Whitehaven Academy parents, and the evidence they provided to the Committee, helped us to hold the Department to account. We heard that parents of pupils at the Whitehaven Academy had to put in freedom of information requests to get important information from the trust running the Whitehaven Academy about what was being done to repair the poor state of the building.<sup>64</sup> This lack of transparency is worrying. It is not acceptable that parents and local people are having to fight to get information about their children's schools. The Department admitted to us, in October 2018, that children and parents at the Whitehaven Academy had been let down by the most senior levels in the Department.<sup>65</sup>

46. The Department's governance and oversight of some of the recent changes to the delivery of educational services have fallen short, letting down children and young people. We found that this extends to include the development of the higher education market; intended to increase competition and choice and improve access.<sup>66</sup> We concluded that the market is not working in the interests of students or taxpayers. It set up a new regulator

57 Committee of Public Accounts, [Academy accounts and performance](#), Seventy-Third Report of Session 2017–19, HC 1597, 23 January 2019, para 1, p 4

58 [Ibid](#), para 2, p 9

59 Committee of Public Accounts, [Converting schools to academies](#), Fifty-Second Report of Session 2017–19, HC 697, 11 July 2018, conclusion 1, p 5

60 [Ibid](#), conclusion 2, p 5

61 [Ibid](#), introduction, p 4

62 [Ibid](#), para 4, p 8

63 Committee of Public Accounts, [Third Annual Report of the Chair of the Committee of Public Accounts](#), Second Special Report of Session 2017–19, HC 1399, 5 July 2018, p 15

64 Committee of Public Accounts, [Oral evidence: Academy accounts and performance](#), HC 1597, 19 November 2019, Q 187

65 Committee of Public Accounts, [Oral evidence: Converting Schools to Academies](#), HC 697, 16 May 2018, Qq 64, 65

66 Committee of Public Accounts, [The higher education market](#), Forty-Fifth Report of Session 2017–19, HC 693, 15 June 2018, summary, p 4

to deliver these changes, yet neither the Department nor the regulator were able to assure us of what value for money means in higher education, or how they will monitor and improve it.<sup>67</sup>

## Outsourcing

47. The outsourcing of public service delivery to the private sector is big business with £254 billion of Government spending—nearly a third of Government expenditure—channelled via private companies.<sup>68</sup> There are 34 strategic suppliers who earn at least £100 million from one or more Government contracts per year, or are of particular strategic importance to Government.<sup>69</sup>

48. When Government outsources a public service, it does not contract out accountability, but the Holy Grail for ministers is to try and outsource the risk. The sacking of a probation service provider is a sign that the company stands to lose if it fails to deliver. But there is also an impact on service delivery as the saga of the community rehabilitation companies underlines.<sup>70</sup> If there is a failure in the service the taxpayer ends up picking up the tab for both public and private sector incompetence, even when risk is supposedly transferred.

49. There are still too many ill thought through outsourcing contracts. For example, the MoD's £495 million ten-year partnership with Capita, agreed in 2012, to recruit new members of the armed forces. Capita missed its annual recruitment targets every year (with shortfalls ranging from 21% to 45%), the contract cost rose by 37% to £677 million, and the centrepiece new online portal system was rolled-out four years late.<sup>71</sup>

50. Capita conceded to us that it had underestimated the contract's complexity and had initially entered into the venture more interested in "chasing revenue" and "booking additional contracts versus being a true partner."<sup>72</sup> Yet the MoD and Army also share some of the responsibility for the failure of the contract. The contract was over-specified and as the project progressed, the Army introduced contractual changes without piloting and adopted a hands-off approach.

51. The Committee still sees too many examples of where contract design and management mistakes are repeated. Rail franchising, probation reform, the Defence Infrastructure Organisation (a partnership between the MoD and Capita which was cancelled five years early) are just some of these. We have long-standing concerns about the civil service's ability to outsource effectively, and we see too many of the same mistakes repeated too often. I have raised this concern in every one of my Chair's Annual Reports.

52. One of my concerns is about who is ultimate accountability for poor decision-making and inadequate contract management. Sometimes the focus on targets and cost savings drive behaviour and the big picture of why something is being delivered and the end user's needs are lost.

67 [Ibid](#), conclusion 1, p 5 and para 3, p 8

68 National Audit Office, [Departmental Overview: Commercial and Contracting](#), p, 5

69 Committee of Public Accounts, [Strategic Suppliers](#), Fifty-Eighth Report of Session 2017–19, HC 1031, 24 July 2018, p. 27

70 Committee of Public Accounts, [Transforming rehabilitation: progress review](#), Ninety-Fourth Report of Session 2017–19, HC 1747, 3 May 2019, p. 4, p.7–8, p. 11

71 Committee of Public Accounts, [Capita's contracts with the Ministry of Defence](#), Eightieth Report of Session 2017–19, HC 1736, 1 March 2019, p. 3–4

72 Committee of Public Accounts, [Oral Evidence: Capita's contracts with the Ministry of Defence](#), HC 1736, Q. 39

53. These issues are not new or unique to this Government. The No.10 delivery unit was established under a Labour government and the coalition sought to reform and strengthen the commercial skills of the civil service. Cabinet Office Permanent Secretary John Manzoni says that Government has to tackle big and difficult challenges. This is true but some of the repeated errors are not because the challenges are complex—they are just basic errors. Clear ‘statements of responsibility’ (SoR) and ‘responsibility maps’, as used in the private sector, could help ensure precise and transparent mechanisms for accountability.<sup>73</sup>

54. Too often, Government attempts to transfer unmanageable risk or risk which the private sector is never in the best position to manage (for instance, the risk of legal changes or tax increases—both of which are under Government control).<sup>74</sup> And private companies have only recently started to say clearly that there are some risks they are unwilling to take on (and only in light of a series of embarrassing and share damaging failures).

55. Carillion’s collapse was an interesting example. The Government maintains that it did not bail out Carillion. Carillion believed, right up to the last minute that the Government would help with a rescue package. It did rescue (to a large extent) the services Carillion was running with a series of contingency plans. There was however, a cost to the taxpayer of £148 million.<sup>75</sup> So for all the sophistry the episode demonstrates that government cannot allow key public services to fail.

56. Too often, contracting out is engaged with in a purely transactional manner that ignores the quality of service and the knock-on cost of poor service on users.<sup>76</sup> The shambolic Govia Thameslink Railway and Northern rail franchising and timetabling mess meant it was commuters who ultimately lost out.<sup>77</sup>

57. I welcome some of the recent steps taken by the civil service to mitigate these challenges. The Cabinet Office publication of *The Outsourcing Playbook*, which clearly lays out in updated form the standards and procedures expected from Government Departments, is a step in the right direction.<sup>78</sup> Yet there are still gaps and improvements that must be made to ensure that both the taxpayer and end-user of a contracted-out service are not the losers.

### ***Staff turnover among Permanent Secretaries and senior civil servants***

58. Permanent secretaries are the long-term stewards of government departments. I am concerned, however, by the pace the revolving door of permanent secretaries is spinning. The average time in post of the current group of permanent secretaries is just two years and nine months, while the average tenure of all permanent secretaries appointed in the last 10 years is only 3.2 years.<sup>79</sup>

73 REFORM, [Please procure responsibly: the state of public services commissioning](#), p. 50–51 Source for statements of responsibility + responsibility maps p. 50–51

74 Committee of Public Accounts, [Strategic Suppliers](#), Fifty-Eighth Report of Session 2017–19, HC 1031, 24 July 2018, p. 19

75 Report by the Comptroller and Auditor General, [Investigation into the government’s handling of the collapse of Carillion](#), HC 1002, 7 June 2018

76 Committee of Public Accounts, [Strategic Suppliers](#), Fifty-Eighth Report of Session 2017–19, HC 1031, 24 July 2018, p. 3

77 Committee of Public Accounts, [Rail management and timetabling](#), Eighty-first Report of Session 2017–19, HC 1793, 27 February 2019

78 Government Commercial Function, [The Outsourcing Playbook](#). February 2019

79 Institute for Government, [Moving on: the costs of high staff turnover in the civil service](#), January 2019

59. The high churn of permanent secretaries, director generals and other senior civil servants is damaging the long-term health of departments, with ministers also moving frequently, departmental corporate memory is diminishing. High turnover has direct implications for accountability, making scrutiny of decisions on key government programmes more challenging as those responsible have long-since moved on.

60. To counter this, we have called back officials to account for their decisions taken in previous roles. For instance, we recently questioned Sir Mark Sedwill, now Cabinet Secretary and Head of the Civil Service, on the Emergency Services Network programme, the Disclosure and Barring Service and the Home Office's compliant environment policies, which had implications for Windrush—all of which he oversaw when permanent secretary at the Home Office.<sup>80</sup> Ultimately, however, the civil service needs to address the high turnover of permanent secretaries and commit to a policy of consistent leadership.

61. Diversity, gender balance and ethnic minority representation in the senior civil service is still an area of concern. For example, women still under-represented at the most senior levels: only 43% of senior civil servants are women.<sup>81</sup> This is particularly evident to us on the Public Accounts Committee as we invariably take oral evidence from senior officials.

## Looking Ahead

### *Selling off the taxpayers' silver*

62. Last year, I highlighted a worrying concern that some taxpayers' assets are being seen by Government as easy opportunities to make a quick return at the expense of lost future income and, critically, loss of control of a publicly-owned asset.

63. Current Government policy stipulates an automatic preference for selling off a public asset unless there is a policy reason not to. This creates a default assumption in favour of selling assets, carefully built up over the years on behalf of the taxpayer, only through a short-term monetary lens at the expense of longer-term strategic considerations. It can also create a self-defeating pressure for Government to hastily sell at any price.

64. We raised these concerns as part of our inquiry into the Government sale of the first tranche of student loans in 2017. The Government secured a return for the taxpayer of only 48p in the £1 on loans with a face value of £3.5 billion.<sup>82</sup> Whilst we did not expect the Government to fully recover the face value, with the Government's own analysis projecting the £1.7 billion sale price being recouped in only eight years, we questioned whether taxpayer value-for-money had truly been secured. There is a risk that the Government's inclination to run a never-ending auction of the taxpayer's silver left it vulnerable to accepting bargain basement prices and the taxpayer ultimately lost out. We will continue keeping a watchful eye to make sure that as these sales continue, the taxpayer is not left short-changed.

80 Committee of Public Accounts, [Oral evidence: Cyber security in the UK](#), HC1745, 1 April 2019, Q11–62

81 Institute for Government, [Gender balance in the civil service](#), April 2019

82 Committee of Public Accounts, [Sale of Student Loans](#), Sixty-Ninth Report of Session 2017–19, HC 1527, 22 November 2018, p 3

### ***Twin track systems***

65. In response to the pace of preparing of the UK's exit from the EU, we are seeing an increasing reliance on the use of twin track systems. An example is HMRC's progress to replace the Customs Handling of Import and Export Freight system, the IT system used to process declarations for goods entering and leaving the UK or EU and complete customs information electronically, with the new Customs Declaration Service (CDS). We were disappointed to find that, as of March 2019, HMRC was running both systems, with only four organisations having migrated over to CDS.<sup>83</sup> HMRC told us that it intends to continue running both systems until traders who need to migrate are ready. However, its current contract is due to end in March 2020. Given HMRC's limited leverage in this situation I am worried about its ability to negotiate a good deal for taxpayers should it seek to extend the contract.<sup>84</sup>

### ***Ministerial directions and accountability***

66. There has been no marked increase in the use of ministerial direction letters despite the extraordinary times departments are facing. HM Treasury advised Departments that Ministers should issue Ministerial Directions to Enable urgent spending which, if delayed, would jeopardise preparedness for EU exit.<sup>85</sup> We saw too a direction to the accounting officer and Permanent Secretary at the Ministry for Housing to fund remedial works to leasehold properties where there was ongoing dispute about who would fund the fire safety works. Both of these cases were clear and reasonable political decisions which would not meet normal accounting rules.

67. The lack of ministerial direction on issues such as the decision to let a contract to Seaborne Freight was more surprising. The Permanent Secretary, when pressed, said: "my assessment, as an accounting officer, was that it met the requirements of managing public money and therefore a direction was not required".<sup>86</sup> But as the letter of comfort from Seaborne's operating partner, Arklow Shipping, only arrived after the contract was signed we found this surprising.<sup>87</sup>

68. In this area we once again see Brexit as a reason for a number of extraordinary decisions. I am clear that it should not be a reason for senior civil servants not to seek a clear letter of direction. The electorate chose Brexit and the last three years have demonstrated some of the challenges of attempting to simultaneously prepare for departure with a yet to be finalised deal, and no deal. A ministerial direction clarifies who made a decision and who is accountable.

### ***Restoration and Renewal***

69. The Palace of Westminster is in urgent need of repair and restoration. In recent weeks, the potential risks to Parliament have become more urgent given the tragedy of the Notre Dame fire. Both Houses of Parliament have approved the decision to decant

83 Committee of Public Accounts, [Oral evidence: HMRC: Progress Review](#), HC 1969, 4 March 2019, Qq 118, 119, 124, 125

84 [Ibid](#), Qq 120–123

85 Chief Secretary to the Treasury Written Ministerial Statement [Spending Authority](#), 12 October 2017.

86 Committee of Public Accounts, [Oral Evidence: Brexit and the UK Border: further progress review](#), HC 1942, 13 February 2019, Q 40

87 [Correspondence from Arklow Shipping to Department for Transport](#), 18 January 2019

from the building so that work can proceed as quickly as possible. This is action that the Public Accounts Committee recommended as early as March 2017.<sup>88</sup> So far, this project has already been hampered by indecision and procrastination. This indecision has led to a domino effect with the scale of the problem getting worse and worse the longer decision-making was put off. Now, as this monumental task gets underway, value for the taxpayer's money must be at the top of the agenda.

70. As a world heritage site, the Palace comes under UNESCO rules; this means that the UK Treasury is responsible for funding the building and making sure it is preserved as a world heritage site, and the National Audit Office will have oversight of the spending. Parliament is currently considering the legislation to establish the governance arrangements for restoration and renewal. The Committee will be keeping a watching eye on the progress of this crucial project.

### Defence Spending

71. Last year, I expressed my profound concerns around the Ministry of Defence's capacity to achieve its required cost savings. I also noted the challenge that the MoD faces in ensuring that the Defence Equipment Plan's affordability gap does not widen any further.<sup>89</sup> My comments followed the Committee's May 2018 report which found that the Equipment Plan was rapidly proving itself to be unaffordable and that the MoD was overly optimistic about the efficiency savings it could make. We found that the department's list of commitments and challenges was growing, while its level of funding was not.<sup>90</sup> The findings of the previous year's report on the Equipment Plan were much the same.<sup>91</sup>

72. The situation has not improved. This year, we found that the MoD has made little progress in addressing its affordability shortfall and the department now estimates that the gap could widen to £14.8 billion. Even this, to us, appeared overly optimistic.<sup>92</sup> I believe that the situation with the MoD's finances are reaching crisis point.

73. The department is continuing to delay making difficult decisions and has not gone far enough in identifying which programmes should be delayed, stopped or scaled back. The MoD also finds itself committed to expensive, high-stakes programmes—such as Carrier Strike—where total costs are not yet known and are likely to escalate over the coming years.

74. My concerns are compounded by the wastefulness I have, at times, witnessed from the MoD. Our session on *Submarine Defueling and Dismantling* showed how the department has spent extortionate amounts on the storage of redundant submarines, with personnel employed to man and maintain the decommissioned fleet. Movement on this programme has been glacial and appears all too symptomatic of the MoD's struggle to get to grips with and make difficult decisions.

88 Committee of Public Accounts, [Delivering restoration and renewal](#), Forty-Fifth Report of Session 2016–17, HC 1005, 10 March 2017

89 Committee of Public Accounts, [Third Annual Report of the Committee of Public Accounts](#), Second Special Report of Session 2017–19, HC 1399, 5 July, p 10 and p 11

90 Committee of Public Accounts, [Defence Equipment Plan 2017–2027](#), Thirty-Ninth Report of Session 2017–19, HC 880, 11 May 2018, Summary

91 Committee of Public Accounts, [Defence Equipment Plan](#), Fifty-sixth Report of Session 2016–17, HC 957, 25 April 2017, Summary

92 Committee of Public Accounts, [Defence Equipment Plan 2018–2028](#), Seventy-Seventh Report of Session 2017–19, HC 1519, 1 February 2019

75. I look forward to our next Equipment Plan session with the MoD and expect to see significant progress with the plans of how the department intends to address its shortfall.

### **Crossrail and HS2**

76. As Chair, I am often contacted by the public and other MPs to suggest the Committee look into certain issues. Very few topics have raised concerns, and piqued interest as much as two high-profile and troubled transport projects: HS2 and Crossrail. These projects have been on the Committee's radar consistently since their inception and we will continue to keep a close eye on them as they progress.

77. Crossrail, in particular, has been a matter of interest for the Committee over the past year and, after our progress review session in March, we were sufficiently troubled by our findings that we held a second inquiry on the project two months later. This is an approach that the Committee will be continuing: revisiting projects that have gone awry and monitoring progress until we see satisfactory improvement.

78. It was particularly worrying for us to see a project run into trouble when it had started so promisingly and appeared to be bucking the trend of poorly managed projects that come in front of our Committee time and again. However, Crossrail unravelled quickly and began to bear the hallmarks of these other projects—escalating costs, delays and no solid completion date in sight.

79. We saw that warning signs were missed or ignored; that those leading the project failed to sufficiently examine the bigger picture and eventually, the cracks in the programme became evident. Had these issues been addressed at the time, it is likely that the way in which the project fell apart so quickly was preventable.<sup>93</sup>

80. We accept that the project is now beyond the point of no return: such huge sums have been spent, and the project is now so far down the line that no other outcome is acceptable.<sup>94</sup> However, we still have no assurance on a new timescale for its completion and we will be following Crossrail every step of the way to scrutinise any further slippage or unexpected costs.

81. HS2 too, has faced difficulties in delivering to budget and there have been reports that in order to keep within budget, fewer and slower trains will run. There are persistent question marks about the affordability of the programme, many of which relate to the accuracy of the project's land purchases.

82. We know that the NAO found that HS2's land and property acquisition estimates had increased from £1,120 million to £3,295 million over six years.<sup>95</sup> Beyond this, a whistleblower claimed to the BBC's Panorama programme that High Speed Two Ltd had deliberately misled MPs with its cost estimates and that they were 'erroneously wrong'. We will therefore be keeping a close eye on the department's management of the programme, including how well assured it is that the budget for property acquisition will be sufficient.

93 Committee of Public Accounts, [Crossrail: progress review](#), Ninety-Second Report of Session 2017–19, HC 2004, 3 April 2019, Summary

94 Report by the Comptroller and Auditor General, [Completing Crossrail](#), HC 2106, 3 May 2019

95 Report by the Comptroller and Auditor General, [Investigation into land and property acquisition for Phase One \(London – West Midlands\) of the High Speed 2 programme](#), HC 1531, 13 September 2018

83. We remain conscious that HS2 Ltd previously paid out almost £2 million in unauthorised redundancy payments. We do not expect to see anything remotely similar happen again. We hope that DfT can learn lessons from the Crossrail project—particularly in relation to weak governance arrangements—and apply these when taking HS2 forward.

### **Spending review**

84. For almost two decades the spending framework for Whitehall departments has been set through the spending reviews that set spending parameters for three to five years. A spending review is necessary this year to provide certainty to Departments on their funding allocations for next year at least. This year's review has been delayed with the Chancellor indicating that he may not complete a spending review before Brexit. That delay is already having an impact on policy decisions, with, for example, police and fire service funding for 2020–21 which will not be settled until the spending review.<sup>96</sup>

85. There are other key policy changes which require some certainly over funding levels. These include the much-vaunted reforms to probation services; the UK Shared Prosperity Fund;<sup>97</sup> nuclear submarine decommissioning<sup>98</sup> and the wider defence equipment budget.

86. If the Spending Review does not take place there will need to be a mechanism for setting departmental budgets for next year. Even a roll over from this year's settlement will be subject to much special pleading by departments. Given the likely impact on policy decisions it is not clear that the knock-on impact on policy delivery has been considered fully by ministers. There are also day-to-day impacts on a range of organisations and services which rely on central government funding.

87. This situation is another example of how Brexit has deprioritised the Government's business as usual.

### **Local government audit**

88. Residents and taxpayers have the right to know if there are serious problems with their local authority. In 2017–18, local government and local NHS bodies spent about £64 million on external audit. Yet information is not as accessible as it should be.<sup>99</sup>

89. Local authorities have an overall good track record of robust governance, this is becoming increasingly critical. This is because, in response to increasing demand and continued funding pressures, local authorities are taking on greater levels of risk as they seek out ever more innovative ways to manage their limited resources.<sup>100</sup>

90. In some authorities, local governance is under strain. We are worried that the Ministry for Housing, Communities and Local Government has no way of pinpointing the at-risk local authorities to ensure that problems are caught earlier.<sup>101</sup> The Department's

96 [Police Pension Liabilities: Urgent Question](#), 6 November 2018

97 Committee of Public Accounts, [Oral evidence: Local Enterprise Partnerships: progress review](#)

98 Committee of Public Accounts, [Oral evidence: Nuclear submarine defueling and dismantling](#), HC 2041, 1 May 2019, qq 6–8

99 Committee of Public Accounts, [Auditing local government](#), Eighty-Fifth Report of Session 2017–19, HC 1738, 15 March 2019, p 3, p 4

100 Committee of Public Accounts, [Local Government Governance and Accountability](#), Ninety-Seventh Report of Session 2017–19, HC 2077, 15 May 2019, p 3

101 [Ibid](#), conclusion 3, p 6

role is even more important, now that there is no longer a central assessment of value for money.<sup>102</sup> There is also a complete lack of transparency over its informal interventions in local authorities with financial or governance problems. For example, we were dismayed to hear that the scale of Northamptonshire County Council's recent problems was an 'open secret', yet not something the council taxpayers of Northamptonshire were aware of.<sup>103</sup>

### Cyber security

91. Cyber security has quickly emerged as a huge and pressing issue across all of Whitehall. While the government has admirable aspirations to become a world leader in digital economy and the digitisation of services, these ambitions bring with them a number of risks.

92. The UK is becoming increasingly vulnerable to cyber attacks and the government should adhere to a thought-out and co-ordinated approach to cyber safety. It also needs to ensure that cyber security is a top priority for all departments.<sup>104</sup> However, there is also a role for government in assessing and tackling the shortfall in cyber security skills across the UK as a whole. This skills gap is the biggest challenge that the country faces as we look to managing cyber safety. The government's training work in schools is very welcome but we won't be able to assess for quite sometime whether these interventions have been successful in improving the levels of cyber skills across the country. I would like to see the government taking further steps to engage and educate large organisations, particularly within the retail sector. I expect to see more of a joined-up approach across Whitehall as departments consider how best to tackle this emerging threat.

93. One of my main concerns is that every organisation is as weak as its weakest link. It is very difficult for—as an example—every school or GP's practice to employ personnel who are well enough equipped to take responsibility for and manage each workplace's cyber security responsibilities.

94. I would also like to see a more focused approach to the targets of the Cyber Security programme; currently the Cabinet Office simply does not have enough of an evidence base to make the best strategic decisions. The committee has encouraged the department to write to us to detail its plans for how it is using evidence-based decisions to structure its cyber security work. We expect this to detail how it is learning from its previous work and applying these lessons moving forward. We will continue to focus on this as a priority.

102 [Ibid](#), summary, p 3

103 [Ibid](#), conclusion 5, p 7

104 Committee of Public Accounts, [Cyber security in the UK](#), Ninety-Ninth Report of Session 2017–2019, HC 1745, 5 June 2019

## Formal Minutes

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**Monday 24 June 2019**

Members present:

Meg Hillier, in the Chair

Sir Geoffrey Clifton-Brown	Layla Moran
Chris Evans	Anne Marie Morris
Shabana Mahmood	Lee Rowley
Nigel Mills	

Draft Special Report (*Fourth Annual Report of the Chair of the Committee of Public Accounts*), proposed by the Chair, brought up and read.

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

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

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

[Adjourned till Wednesday 26 June at 2:00pm]