



National Audit Office

e:newsletter

January 2018



Welcome to an e:newsletter packed with a wide range of new publications since our last e:newsletter in November. Our reports, investigations, briefings, guides and blog-posts cover:

- [UK's exit from the EU](#)
- [Delivering effectively and efficiently](#)
- [Contracts & major projects](#)
- [Data & its effective use](#)
- [Education](#)
- [Short guides and other reports](#)

In more corporate news, we have also published the [NAO strategy, 2018-2019 to 2020-2021](#), [launched the NAO-University of Birmingham Tax Centre](#), [appointed Dame Clare Tickell as a new NAO Non-Executive Director](#) and Abdool Kara has blogged about his first nine months as an Executive Leader in: [Leading with experience](#).

Abdool's blog-post references our September report, [Homelessness](#). In light of last week's government statistics showing an increase in the number of people sleeping rough, we have also blogged on [What's behind the growing number of rough sleepers?](#)

If you'd like to discuss any of the matters raised in this e:newsletter, please contact your NAO team or get in touch with us at [NAO Communications](#).

We also encourage you to sign up to email alerts when there's new content of interest to you on our website, through [NAOdirect](#), to subscribe to the [NAO Blog](#), and follow us on social media through the links above.

UK's exit from the EU

[EU exit: tough decisions and prioritisation needed](#): With the kind permission of Public Finance Magazine, this NAO blog-post re-publishes an article by Sir Amyas Morse, based on his presentation to the Chartered Institute of Public Finance and Accountancy (CIPFA).

[Implementing the UK's exit from the European Union](#): We are publishing a series of briefings on the key bodies in the centre of government and the major spending departments that have to deliver EU exit programmes. Each briefing covers issues such as the scale of the task, how it is going about it, and likely impact of EU exit activities on the organisation.

Our website includes all our [Exiting the EU](#) publications. Our briefings on implementing the UK's exit from the European Union cover:

- [Department for International Trade](#)
- [People and skills: The role of the centre of government](#)
- [The Department for Environment, Food & Rural Affairs](#)
- [The Department for Business, Energy & Industrial Strategy](#)
- [Infrastructure and Projects Authority](#)
- [The Department for Exiting the European Union and the centre of government](#)

Reminder: We have also published [A Short Guide to the Department for Exiting the European Union](#).

Delivering effectively and efficiently

[Sustainability and transformation in the NHS](#) is our sixth report on the financial sustainability of the NHS. We conclude that additional funding given to the NHS has been spent on coping with existing pressures, rather than the transformation required to put the health system on a sustainable footing, and trusts are still a long way from being able to live within their means without it. We summarise the financial position of NHS England, clinical commissioning groups and trusts, and look at what the national bodies have done to support local NHS bodies to improve their financial positions and work better in partnership.

[Equipment Plan 2017](#): Since 2012 the Ministry of Defence (MOD) has published an annual Statement on the affordability of its ten-year Equipment Plan (the Plan) and has asked the NAO to report on it. We conclude that the Plan is not affordable and does not provide a realistic forecast of costs over the next ten years. Spending on equipment and associated support is projected to be £179.7 billion. We calculate an affordability gap of at least £4.9 billion and possibly up to £20.8 billion.

[The Green Investment Bank](#) (GIB) examines the GIB as an intervention by the Department for Business, Energy & Industrial Strategy (BEIS) to address market failures affecting the flow of investment into the UK's green economy. Our report considers whether the objectives of the GIB intervention were achieved, and whether the subsequent sale of GIB represented value for money.

[The International Citizen Service](#) (ICS) was launched in 2011 by the Department for International Development (DfID) to provide volunteer placements in developing countries for young people from the UK and the host country. ICS aims to contribute to poverty reduction and build volunteers' skills. We reviewed the programme's delivery against its objectives. We also drew on our wider work to identified design, procurement and implementation issues on which DfID may wish to focus if it develops a new programme.

[Investigation into the governance of Greater Cambridge Greater Peterborough Local Enterprise Partnership](#) sets out our findings in relation to concerns raised and regarding the (now) Ministry of Housing, Communities and Local Government's oversight and extent to which it can rely on the Local Enterprise Partnership National Assurance Framework to manage delegated government funding effectively.

NAO Blog:

- [Engaging, sharing, innovative Award winners](#): As a judge of the Civil Service Awards, Sir Amyas Morse blogs about ways award winners are delivering public services more efficiently and cost effectively, and in ways that meet people's needs better, engage users more, and stimulate ongoing improvements.
- [Growth through devolution: A New Year's outlook](#): with combined authorities intended to be a key driver of local growth, we blog about progress and what it will take for combined authorities to succeed in their aims.

Contracts and major projects

[A short guide to commercial relationships](#) provides an overview of commercial spending across government, summarising common issues in government's commercial relationships, the progress made addressing these, and the remaining risks. In particular, the guide highlights insight and examples from NAO work relating to: managing contracted-out service delivery; commercial capability; and managing markets, including broadening suppliers, SME engagement and managing provider failure.

[Contract management – challenges and consequences](#): this NAO blog post is the latest in our series on commercial and contract management and focuses on market management and sourcing. It draws out further insights from our recent reports.

[PFI and PF2](#) is a briefing on the rationale, costs and benefits of the Private Finance Initiative (PFI); the use of and impact of PFI, and ability to make savings from operational contracts; and the introduction of PF2. There are now over 700 operational PFI and PF2 deals, with a capital value of around £60 billion and annual charges for these deals amounted to £10.3 billion in 2016-17. Even if no new deals are entered into, future charges – which continue until the 2040s – amount to £199 billion. The report presents information on the programme as a whole and was prepared prior to the announcement on 15 January 2018 that Carillion was in liquidation.

[The Ministry of Defence \(MOD\)'s arrangement with Annington Property Limited](#): The MOD sold much of its married quarters estate to Annington Property Limited in 1996 for an upfront £1.66 billion cash sum, and then rented properties back on 200-year under-leases. Our report concludes that the MOD has lost out on billions of pounds of asset value and committed itself to annual rental bills of nearly £200 million, while gaining little in return. Looking forward, the report makes recommendations on the conduct of future rent negotiations, as there is a risk rental bills could increase significantly.

We highlight key lessons for government: (1) ensure that contracts are affordable in the longer term – Accounting Officers should not rely solely on net present value calculations that provide only one source of information about a project; and (2) the commercial community should learn lessons from this deal – these are set out in Appendix One of the report.

[Update on the Thameslink Programme](#) examines the Department of Transport and Network Rail's management of the remaining elements of the £7 billion (cash prices) programme to upgrade the Thameslink routes through London, which is nearing completion. We set out the background and what has been achieved since we last reported; the causes of the increase in infrastructure costs and delays to the new trains; and the challenges the programme faces in delivering all of its benefits.

[The Thameslink, Southern and Great Northern rail franchise](#) examines the causes of poor performance on the Thameslink, Southern and Great Northern network since the franchise began in 2014, the effects on passenger services, financial outcomes for the operator and the Department for Transport (DfT), and DfT's handling of this franchise.

[Investigation into changes to Community Rehabilitation Company \(CRC\) contracts](#) sets out why and how the Ministry of Justice adjusted CRC's contracts; and the financial and other implications of the adjustments.

Data and its effective use

[NAO – University of Birmingham Tax Centre](#) was launched on 23 January 2018, as announced in this [press notice](#). This collaboration aims to improve the availability of independent evidence to help improve tax efficiency. It will also encourage debate, stimulate ideas and improve the exchange of knowledge. At its launch event, co-founder Professor Kimberley Scharf spoke about the two organisations' work on Gift Aid, showing how the Tax Centre will be able to bring together the NAO's practical experience, and the University of Birmingham's academic approach. This will be summarised shortly in a post on the [NAO Blog](#).

[The effect of HMRC Taxpayer Assistance on compliance](#): As part of our work on our report, 'The quality of service for personal taxpayers', we commissioned the Tax Administration Research Centre (TARC) to explore the relationship between taxpayer's experience and tax compliance outcomes through a series of controlled experiments. The results and conclusions have just been published in the TARC report on this web-page.

[The BBC's understanding of its audiences and users](#): The BBC has extensive and robust data for broadcast TV and radio, but its data for online services are not always sufficient for its needs. The BBC is implementing two new projects, BBC-ID – to get people to sign-in, thereby providing user data; and Cross-Media Measurement – to improve data on how people use the full range of BBC services. However, both initiatives have faced delays in implementation. We recommend that the BBC review how it is measuring and tracking benefits and ensuring the timeliness of their achievement. Given the business need for, and importance of, Cross-Media Measurement, we recommend including this project in the BBC's critical projects portfolio.

We have published an infographic and accompanying data visualisation on the same webpage.

[The administration of the Scottish Rate of Income Tax 2016-17](#) looks at new Scottish Parliament powers to set tax rates and thresholds, and the risks facing HMRC relating to maintaining accurate address records for the estimated 2.6 million Scottish taxpayers.

The 'Jobcentre journey time model' on our [Audit Insights web-page](#) sets out how we created this [interactive data visualisation of our jobcentre journey time model](#), which was the focus of our earlier blog-post, [How will it affect me? Exploring the data](#).

Education

[The higher education market](#) applied our 'Market Analytic Toolkit for assessing public service markets' and found a number of points of failure in the higher education market. Prospective university students have insufficient help and advice, and Higher Education Institutions have little competitive pressure to provide best value.

In our blog-post [Is the market for higher education working?](#) we summarise the report's findings and illustrate how our [Market Analytic Toolkit](#) can help government oversee public service markets to protect consumers and achieve effective competition and innovative delivery.

[Delivering STEM skills for the economy](#) examines the government's approach to enhancing science, technology, engineering and mathematics (STEM) skills and how each section of the STEM skills pipeline is performing. We conclude that there have been some positive results but there remains an urgent need for departments to set out a shared view of what they are trying to achieve and a co-ordinated plan for achieving it.

[Investigation into the circumstances surrounding the monitoring, inspection and funding of Learndirect Ltd](#) reports on government's handling of the UK's largest commercial further education provider following an Ofsted inspection, in which the company was rated as 'inadequate'.

Short Guides and other publications

Short Guides: Each of our 20+ guides provides an overview of the department or issue; who does what; how much it costs; recent and planned changes; what to look out for; and possible implications of the UK's exit from the European Union. Recent guides:

- [A Short Guide to Selected health arm's-length bodies](#)
- [A Short Guide to HM Revenue & Customs](#)
- [A Short Guide to HM Treasury 2017](#)
- [A Short Guide to Commercial Relationships](#) – summarised above

[Reducing modern slavery](#) examines the Home Office's progress in reducing modern slavery in England and Wales. It considers the governance, the process of identifying and supporting potential victims and the prosecution and conviction of offenders.

The Home Office has issued [Guidance for businesses](#) to ensure that slavery and human trafficking is not taking place in their business or supply chains. In accordance with this, we have published [The NAO's Modern Slavery and Human Trafficking Statement \(PDF\)](#).

Charity Commission: Progress report: In 2013 we concluded that the Commission was not an effective regulator. In this progress report we found that the Commission has improved significantly since 2013. It has made improvements through its on-going transformation programme and embedding a culture of continuous improvement.

[Investigation: National Lottery funding for good causes](#) sets out the findings of our investigation into the fall in National Lottery income for good causes in 2016-17, following concerns raised at board level by Lottery distributors – the 12 public bodies that use this funding to make payments to good causes. We set out trends; research into factors impacting on Lottery income; information provided to assist Lottery distributors in their planning; and work done by distributors to model the impact of reduced Lottery funding on their ability to meet their spending commitments.

NAO Strategy

[NAO strategy 2018-2019 to 2020-2021](#) sets out how the NAO will help Parliament hold government to account for spending public money and drive improvements in public services. It describes our priority areas of focus: addressing the issues that matter to government and Parliament, particularly in light of the decision to leave the EU; innovating and adapting to developments in the audit industry to deliver as ever high-quality work; deepening our engagement with those we audit and responding to feedback further cross-government insights; and continuing to use management information well and embed our investment in digital technology.

Events

NAO Directors and other experts are speaking at a range of events over the coming months, from social care to ICT and the Public Sector Show.

Please see our [events pages](#) for details.

Helpful information

Subscribe to email alerts through [NAOdirect](#) to be kept informed about our new publications, press releases and [work-in-progress](#) on subjects of interest to you.

Find resources on our website:

- [Self-assessment resources](#): NAO frameworks and guides to aid organisations' self-review and decision-making
- [Technical guidance](#): Technical accounting, audit and internal control information, and good practice materials for boards and audit committees
- The [NAO's Board and Leadership Team](#); Leadership Team responsibilities are set out on our [organisation chart](#).
- [NAO's resources for Parliament](#)

[Find all legislation before Parliament.](#)

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