



National Audit Office

# e:newsletter



Welcome to our June e:newsletter.

This edition summarises the wide range of reports we have published since Easter. It covers:

- [EU Exit](#)
- [Transformation, programme & contract management](#), including Transformation Guidance and Survival guide to challenging costs in major projects
- [Investigations](#): A leaflet on our approach to undertaking investigations, and our recent investigations, including on the collapse of Carillion
- [Other reports](#), including Ofsted's inspection of schools
- [NAO Annual Report](#)

Watch out for our NHS70 posts on [NAO Blog: health](#) and on social media, outlining how we have been supporting NHS improvement over the years.

We will be revising our e:newsletter in coming months and would be very grateful for any feedback; how you find it now, what you would like to see and what you think of our changes. Please contact us at [NAO Communications](#).

## A new NAO preference centre

We have a new [preference centre](#) that gives you more options for subscribing to and tailoring the email alerts you receive when new content is added to our website – including publications specifically relevant for Audit Committees and Boards, reports by sector and/or topic and [work-in-progress](#). You can change your preferences or opt-out at any time.

We also invite you to subscribe to the [NAO blog](#), or follow us on social media through the links above.

If you'd like to discuss any of the matters raised in this e:newsletter, please [contact us](#).

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## EU Exit

See our [Exiting the EU web-page](#) for all our reports on the government's preparation.

[Exiting the EU: The financial settlement](#): HM Treasury (HMT) estimates that the UK will have to pay between £35 and £39 billion on leaving the EU to cover its share of the net commitments and liabilities that the EU entered into when it was a member state.

Our report explains the settlement, how it has been calculated and the uncertainties around the estimate, and sets out those aspects of the settlement still to be finalised. The estimate is reasonable, given it was based on

published data and assumptions about which costs related to the settlement. However, relatively small changes in events could push the cost of the settlement outside HMT's published range. We identify issues HMT will need to consider to protect the interests of the UK taxpayer as it implements the settlement. We will do more work as the ongoing negotiations continue and details of the settlement are finalised.

The Treasury Committee's evidence session with Sir Amyas Morse on this report can be watched on [Parliament TV](#).

**[The Customs Declaration Service \(CDS\): a progress update](#)** provides details on HM Revenue & Customs' (HMRC's) progress with implementing CDS since we reported in July 2017. We consider the deliverability of the CDS programme and highlight the risks and issues HMRC needs to manage to fully implement CDS by January 2019. We also consider what HMRC's progress with CDS and its contingency option means for the risks associated with being unable to process customs declarations at the volume required in the event of 'no-deal' with the EU. HMRC has taken steps to mitigate some of the risks we previously highlighted, but significant challenges remain. However, HMRC has developed contingency plans that mean it will be in a better position in the event that CDS is not ready or does not perform as planned.

Our report includes an info-graphic overview of customs declarations.

**[Implementing the UK's exit from the European Union: The Foreign and Commonwealth Office](#)** (FCO): This is the seventh report in our series on how the government is overseeing and implementing the UK's exit from the EU and on the preparedness of key government departments for this Exit. This report focuses primarily on the 11 work streams on which the FCO reports to the Department for Exiting the EU, covering external security, consular services, Gibraltar and other Overseas Territories, sanctions and third party agreements.

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## **Transformation, programme & contract management**

We have published two guidance documents, particularly for Audit Committees, Boards, Accounting Officers and other senior decision-makers. The challenges of transformation programmes and major outsourcing contracts are also illustrated by some of our recent reports.

**[Transformation guidance for audit committees](#)**: Transformation programmes can be highly complicated and risky. This guidance helps leaders to be clear about transformation aims, how services will change, and the strategy for achieving the objectives. It sets out questions and the evidence and indicators to look out for at three stages: set-up, delivery and live-running and benefits realisation. It also provides questions to ask about the role and management of data, which can play a central role that data plays in transformation.

Our guidance is based on our previous work and provides links to other government guidance and NAO resources.

We will also [Blog](#) on "Successful transformation: voices of experience" on 29 June.

**[Survival guide to challenging costs in major projects](#)**: Drawing on our work on major projects, this guide sets out factors leading to cost growth that can lead to project failure and poor value for money. It offers Accounting Officers and senior decision-makers tips on the early warning signs and suggests questions to ask at different stages of the policy and project lifecycle.

**[Rolling out Universal Credit](#)** examines progress by the Department for Work & Pensions (DWP) in implementing Universal Credit, which is to replace six means-tested benefits. Early programme failures have led DWP to revise the implementation plan and adopt a more adaptive and incremental approach. We look at whether this approach is ensuring Universal Credit works for claimants and the organisations supporting them, and at the prospects for it achieving its aims.

DWP has got a better grip of the programme in many areas, but its test and learn approach has not shown equal commitment to listening and responding to the hardships faced by claimants and DWP will be unable to measure whether the economic goal of increasing employment has been achieved. This, the extended timescales and the cost of running Universal Credit compared to the benefits it replaces cause us to conclude that the project is not value for money now, and that its future value for money is unproven.

**Early progress in transforming courts and tribunals:** This ambitious portfolio of change programmes is already facing considerable challenges, with a significant risk that it won't be possible to achieve the full aims within the time available.

Our report raises a number of risks common to transformation programmes, including dependence on stakeholders to achieve planned change, the need to anticipate and manage unintended consequences, and over-optimism in benefits.

**Investigation into the government's handling of the collapse of Carillion** describes the government's exposure to Carillion before the company's collapse, the actions the government took to protect public services and the impact of Carillion's collapse.

The scale of Carillion's 10 July 2017 profit warning was a surprise to the government. With serious concerns about Carillion's financial health, the Cabinet Office coordinated planning for Carillion's possible failure between July 2017 and mid-January 2018, enabling the government to say "no", when Carillion asked in January 2018 for over £223 million of support. The Cabinet Office made final preparations for Carillion's failure and since Carillion entered liquidation, Carillion staff have continued to provide services, although some of the construction projects have been mothballed. The taxpayer will ultimately pay the loss on running services during the liquidation; and there will also be wider social costs of Carillion's failure.

**NHS England's management of the primary care support services contract with Capita:** Neither NHS England nor Capita fully understood the complexity and risks in this outsourcing contract, resulting in support services to 39,000 GPs, dentists, opticians and pharmacists that were a long way below an acceptable standard. When Capita's aggressive office closure programme had a harmful impact on service delivery, NHS England found it was unable to stop the closures without cancelling the contract. Although NHS England has saved significant sums of money, value for money is not just about cost reduction and current service failures must be addressed to achieve the intended objectives.

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## Investigations

We conduct investigations to establish the facts when concerns are raised, or in response to intelligence from our wider work. Our investigations are responsive, focused and based on the facts, thereby aiding transparency. They do not seek to assess value for money.

Further details are on our [investigations webpage](#).

Our recent investigations include our report on Carillion (see above) and the following:

**Investigation into government-funded inquiries:** The government has spent more than £200 million on the 26 inquiries that have established and reported since 2005. We examined the framework for establishing and managing government inquiries; the cost, duration and scale of inquiries established since 2005; and how inquiries are managed in practice. The investigation focused on 10 of the 26 inquiries that have started and concluded since 2005, including the Iraq, Leveson, Litvinenko and Mid Staffordshire inquiries.

**Investigation into oversight of the Student Loans Company's governance, and management of its former chief executive** describes the events surrounding the appointment and dismissal, for gross misconduct, of the Student Loans Company's former chief executive officer. We set out the

Department for Education's oversight of the Company, how it responded to concerns raised by two members of the Company's staff and its plans to improve its oversight of the Company.

**Investigation into NHS spending on generic medicines in primary care** sets out the facts in relation to: NHS spending on generic medicines and the unexpected increase in prices of certain medicines in 2017 that placed "significant unbudgeted pressure" on clinical commissioning groups; possible causes of the price increases; and how the Department of Health & Social Care and its arm's-length bodies responded.

**Investigation into the 2017 auction for low-carbon electricity generation contracts** sets out how the Department for Business, Energy & Industrial Strategy designed the 2017 Contracts for Difference auction, including the changes it made to the rules related to the capacity cap, and the impact these changes had on consumers.

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## Other reports

**Ofsted's inspection of schools** examines Ofsted's role, performance and impact. Ofsted's spending on school inspection has fallen significantly but it does not have reliable information on efficiency. It also has limited information on impact. Until Ofsted has better information it will be unable to demonstrate that its inspection of schools represents value for money. The current inspection model, with some schools exempt from re-inspection, others subject to light-touch inspection and the average time between inspections rising, also raises questions for government about whether there is enough independent assurance about schools' effectiveness.

**The Nuclear Decommissioning Authority (NDA): progress with reducing risk at Sellafield:** The NDA is responsible for operating, decommissioning and cleaning-up 17 nuclear reactor and research sites in the UK. The NDA estimates that this work will be completed by 2120 at a cost of £121 billion, but these estimates remain highly uncertain. Sellafield is the largest and most hazardous site, home to nearly 40% of the world's global inventory of plutonium.

Progress with reducing hazard and risk at Sellafield has improved since we last reported in 2015. However, more work is needed to measure, evaluate and communicate progress more effectively. To sustain progress, the NDA and central government need to clarify the NDA's role and to find the right balance between government scrutiny and enabling the Sellafield leadership to exercise its legal duties, professional expertise and maintain motivation.

**The Defence Nuclear Enterprise: a landscape review:** The Defence Nuclear Enterprise is the network of programmes, equipment and people that supports the UK's submarine-based nuclear deterrent. Our landscape report describes the component parts, the governance and accountability, and the management of specific aspects of the Enterprise, including the commercial relationships, the supporting infrastructure and the inter-dependencies between the complex programmes that must be carefully sequenced to maintain the continuous at-sea deterrent.

**Ensuring sufficient skilled military personnel:** The Armed Forces have significant skill shortfalls in many critical areas and has struggled to recruit all the regulars it needs. The Ministry of Defence (MOD) has responded by prioritising essential defence tasks, but this reliance on placing increasing demands on regulars is not sustainable in the long-term, especially in the light of new forms of warfare. The MOD increasingly requires technical and digital skills that are also in high demand in the private sector, and has introduced a number of workforce management programmes to try to recruit and retain the people it needs.

**The return of Lloyds Banking Group to private ownership:** In 2008-09 the government took a 43% public stake in Lloyds Banking Group (Lloyds), which was fully sold back to the private sector by May 2017. We reviewed the return of Lloyds to private ownership and identified lessons and recommendations for

future sales of government's shares.

Our view of the process as a whole is positive: the transactions were handled professionally and in cash terms the sale returned the taxpayers' original investment. However, there are areas where improvements could be made for future sales, specifically:

- In sale preparation, we recommend use of quantitative analysis in evaluating options, and setting clear objectives when pursuing a retail offer.
- For sale execution we recommend strengthening the audit trail of key judgements and using below-the-line adjustments for perpetual conduct.
- And in reporting the sale outcome we recommend estimating and reporting the whole cost of the intervention, e.g. including the financing costs.

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## NAO Annual Report

[NAO Annual Report and Accounts 2017-18](#), summarised in our [interactive highlights report \(PDF\)](#), sets out our achievements during the year, including certifying 370 accounts, publishing 65 value for money reports and investigations and 32 guides, supporting 51 evidence sessions of the Committee of Public Accounts and meeting our efficiency targets. Our recommendations and reports on good practice helped government improve public services, and our work led to audited savings of £741 million in 2017-18.

In a year of extraordinary change in UK public life, we have adapted our work to help the public sector to address its challenges, particularly to:

- Exit the European Union smoothly and maintain other areas of work.
- Improve services and reduce costs through transformation programmes
- Put in place new delivery models such as localism and devolution
- Seek to achieve financial sustainable public services

We have also published the [NAO Diversity and Inclusion Annual Report 2017-18](#), the [NAO Transparency Report 2017-18 \(PDF\)](#), and our [Environmental and Sustainability data 2017-18 \(PDF\)](#).

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## Events

The Comptroller & Auditor General, NAO Directors and other NAO experts are speaking at a range of events over the coming months, including:

- Local Government Association Annual Conference 2018
- CIPFA conference: Talent, technology, transformation
- Local Government Income Generation Forum 2018
- Priorities for adult social care in England: funding, delivery and policy options
- Examining the Progress of Devolution and the Northern Powerhouse
- Analyst Network North East (ANNE) Autumn 2018 Conference
- CIPFA in the North East Conference

For details, please see our [events pages](#).

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## Helpful information

Our new [preference centre](#) allows you to subscribe to and tailor the email alerts you receive when new content is added to our website – including publications specifically relevant for Audit Committees and Boards, reports by sector and/or topic, and [work-in-progress](#). You can change your preferences or opt-out at any time. Further information about how we use and protect the data we hold about you is on our [Privacy statement](#).

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.](#)