



National Audit Office

# e:newsletter

Spring 2018



In this spring e:newsletter we focus particularly on local government, social care and health issues; and the new elements in our recent 'Round-up for Audit Committees'. We have also just published our yearly guide to good practice annual reports.

In addition, we would like to draw to your attention our new style report pages on our website. On these pages you will see: a background to the report, an outline of its content and scope, and its conclusions. You can also see at a glance the report images, in an easily shareable format, and related links, including associated press releases. Please do let us know your views on this change.

As always, 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](#). You can also sign up to receive website update alerts through [NAOdirect](#), subscribe to the [NAO blog](#), or follow us on social media through the links above.

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## Round up of NAO resources

Each spring and autumn our [Round-up for Audit Committees](#) summarises the NAO publications most helpful for oversight and strategic management. Our Spring 2018 edition includes summaries of issues and publications in four key areas:

**EU Exit and transforming public service**, including:

- Resources on our web-page [Exiting the EU](#)
- [Cross-government collaboration: lessons from R&D](#) – a blog-post summarising lessons for co-ordinating cross-government activities, and highlighting key aspects of forthcoming changes to the UK research environment.

**Contract and programme management:** Recent news about Carillion highlights both that government bodies retain responsibility for the services that they contract out, and the risks of being reliant on a small number of providers in certain markets. We highlight a range of useful NAO resources for managing commercial relationships and programmes.

**Audit Committee resources**, including our:

- Updated [Audit Committee self-assessment checklist](#)
- Updated [Disclosure guide for entities who prepare financial statements in accordance with the Government Financial Reporting Manual \(FRM\)](#)
- [Cyber security and information risk guidance for Audit Committees](#).

**Other resources**, including our 20+ '[Short Guides](#)' to central government departments and a selection of cross-government issues, including our most recent: [A Short Guide to the Department for Transport](#).

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## Excellent Annual Reports

[Good Practice from the 'Excellence in Reporting in the Public Sector' Award – Building Public Trust Awards](#) highlights and illustrates "what good looks like" in annual reports, covering presentation of: strategy, risk, operations, governance, success measures, financial performance, people factors, external factors and ease of understanding. It is also summarised in our blog-post: [Being honest: award-winning annual reports](#).

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## Special focus: Local government, social care and health

We summarise our recent three reports, a blog-post and a 'round-table' discussion on these inter-related issues.

**Financial sustainability of local authorities 2018** finds that financial pressure in the local government sector has increased markedly in the last few years as local authorities face both new demand and cost pressures, with no reduction in statutory obligations. The Ministry of Housing, Communities & Local Government (MHCLG) has improved its oversight of the sector's financial sustainability, but, because services are delivered by various departments, there is no single understanding of service delivery across government as a whole.

Government needs to set out a long-term plan for sufficient funding to secure the sector's future financial sustainability. Despite greater freedoms, e.g. to increase council tax, spending is increasingly focused narrowly on social care. There needs to be a consensus about the role and significance of local government, or government risks sleep-walking into a centralised local authority financial system where the scope for local discretion is being slowly eroded.

**The social care challenge**: The above report shows that social care spending has increased from 45.3% of overall service spend by local authorities in 2010-11 to 54.4% in 2016-17. Yet overall funding reductions means spending on adult social care fell over this period. Our blog-post summarises our report on 'The adult social care workforce' (see below) and the reasons for the high workforce turnover and vacancy rates. It highlights the challenges to be addressed as the government plans its health and social care workforce strategy and Green Paper on support for older people, both to be published in the summer.

**The adult social care workforce in England**: Demographic trends suggest that both the demand for care and the complexity of care needs will continue to increase. To meet these challenges, the Department of Health & Social Care (DHSC) estimates that the workforce will need to grow by 2.6% every year until 2035. But care providers are struggling to recruit and retain workers. In 2016-17 the vacancy rate across care jobs was 6.6% and turnover was 27.8%. Around 65% of independent providers' income comes from local authority-arranged care, but the vast majority of local authorities are not covering the full costs of care. A robust strategy and funding for the workforce is needed to meet the growing needs.

**Reducing emergency admissions**: Looking at action across acute, primary, community and social care systems, we examined progress that the Department of Health & Social Care, NHS England, NHS Improvement and others have made in reducing the impact of emergency admissions on acute hospitals.

Overall emergency admissions grew by 24% between 2007-08 and 2016-17, and 24% of the 5.8 million emergency admissions in 2016-17 were considered avoidable by NHS England. More people are being admitted, but NHS England believes that pressure on hospitals is being eased by increasing the number being admitted but not staying in hospital overnight. However, the NHS can't know if its efforts to reduce the impact of emergency admissions are achieving enduring results until it understands whether reported increases in readmissions are a sign that some people are being discharged too soon from hospital. There is also a need to link hospital activity data with primary, community health care and social care data to enable health and social care practitioners to make the most informed decision about whether a patient requires emergency hospital treatment and to help policy makers understand which interventions are most effective at reducing demand for emergency admissions.

**What next for health and care?** The pressures on the care system and challenges for the NHS and their impact on the future of local government were the focus of the second of a series of NAO-Municipal Journal round-table discussions with local authority Chief Executives. This Municipal Journal article summarises the discussion, accompanied by a view-point from Abdool Kara, NAO Executive Leader for Local Government.

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## Other reports

**[Converting maintained schools to academies](#)** examines whether the Department for Education (DfE) has an effective system for converting maintained schools to academies. All schools are allowed to seek academy status and DfE directs maintained schools that Ofsted has graded as inadequate to become academies. At January 2018, 7,472 of the 21,538 state-funded schools in England (35%) were academies; of these, 6,996 had converted from maintained schools and 476 were new free schools. As academy trusts have substantial freedoms and responsibilities that maintained schools do not have, including responsibility for financial performance, it is vital that DfE has assurance that academy trusts have capacity and capability to run academies well and that they can be trusted to manage large amounts of public money.

We conclude that there is substantial variation across the country and it is unclear how feasible it is for DfE to continue converting large numbers of schools to academies. DfE needs to set out its vision and clarify how it sees academies, maintained schools and local authorities working together to create an integrated, efficient and effective school system for children across all parts of England.

**[Low carbon heating of homes and businesses and the Renewable Heat Incentive](#)** (RHI): RHI is a scheme to encourage use of renewable and low-carbon alternatives in homes and businesses in Great Britain (excluding Northern Ireland). We examine the scheme's objectives and progress against them, its cost-effectiveness, monitoring and approach to controlling costs. We conclude that the Department for Business, Energy & Industrial Strategy (BEIS) has rolled out the scheme flexibly, controlled costs and adjusted scheme objectives to respond to a changing strategy. However, the RHI has not achieved value for money. BEIS does not have a reliable estimate of the amount it has overpaid to non-compliant participants, nor the impact of participants gaming them, which could accumulate to reduce the scheme's value significantly.

**[The BBC's commercial activities: a landscape review](#)**: Since April 2017 the NAO has had audit access to the BBC's commercial activities, which are conducted through commercial subsidiaries. This, our first report on this subject, is therefore a landscape review. These overviews don't draw value-for-money conclusions, although we do highlight issues for future BBC focus. We set out how the BBC's commercial activities are organised, overseen and regulated; their performance and contribution to the BBC's public purposes; and how the BBC is responding to the opportunities and challenges its commercial activities face.

See also all [NAO reports on the BBC](#).

**[Investigation into errors in Employment and Support Allowance](#)** (ESA): ESA is a benefit the Department for Work & Pensions (DWP) pays to people with limited capability to work because they are disabled or ill. We investigated an error DWP made when it converted some people's claim to ESA from older-style incapacity benefits, causing them to be underpaid. DWP estimates some 70,000 people may be owed £340 million in underpaid benefits as a result. We assess the scale of the issue, how it was discovered and managed, and DWP's plans for paying arrears where they are due.

See also our other [Fraud, error and debt management reports](#).

**[Investigation into the Department for Transport's decision to cancel three rail electrification projects](#)**: In July 2017 the Secretary of State for Transport announced the cancellation of three electrification projects serving different parts of the UK. Our investigation covers: the original case for electrification; why DfT chose to cancel projects; how it selected which projects to cancel; and DfT's assessment on the impact that cancelling the projects would have on promised benefits.

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## Events

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

- NAO-UoB Tax Centre workshop, Canada
- Government Property and Estates Conference 2018
- LGA event: The future of adult social care and support
- 2018 Digital Government conference
- Funding Social Care Conference: Investing in the future
- The Local Government ICT Summit

- Analyst Network North East Summer 2018 conference
- 2018 FEANTSA Policy Conference – Future Challenges for the Homeless Sector in Europe
- Public Sector Show, London

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

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## 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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