

Public Accounts Committee

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

First Special Report of Session 2023-24

HC 628



The Committee of Public Accounts

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

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Committee staff

The current staff of the Committee are Lucy Bishop (Committee Operations Officer), Ameet Chudasama (Committee Operations Manager), Kay Gammie (Chair Liaison), Sarah Heath (Clerk), Tim Jarrett (Second Clerk), Rose Leach (Committee Operations Officer), Edward Sheridan (Media Officer) and Melissa Walker (Assistant Clerk).

Contacts

All correspondence should be addressed to the Clerk of the Committee of Public Accounts, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 5776; the Committee's email address is pubaccomm@parliament.uk.

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First Special Report

On 28 March 2024 the Chair of the Committee published a report setting out her analysis of the challenges and opportunities across Whitehall, informed by the work of the Committee of Public Accounts (the Committee). The Chair's report is published as an appendix to this report.

Appendix: Eighth Annual Report of the Chair of the Committee of Public Accounts

Foreword by Dame Meg Hillier MP, Chair of the Public Accounts Committee

1. At least once a week for the past thirteen years, I have scrutinised Power. Mostly the power in Whitehall in the person of senior civil servants—the officials who are directly accountable to Parliament for spending taxpayers’ money. On occasion, I have seen our witnesses give compelling and authentic expositions of how they met with great success, delivering their projects on time and bringing value for the public’s cash. More of the time, however, I have heard about projects gone awry, deadlines shifted, and money wasted.
2. The point of the Public Accounts Committee (PAC), which I have chaired for nine years, has remained unchanged since the days of William Gladstone. We exist to scrutinise the use of the public’s money, on behalf of the public.
3. The PAC retains its special status as the first, and perhaps most important, of the Select Committees. I am always delighted to engage with my opposite numbers within other Parliamentary systems. It shows that there are at least some aspects of the UK constitution which others want to emulate, and of course we have much to learn from others.
4. As a former government minister, I came to the PAC with a sound knowledge of how Whitehall works, how projects are devised, how policy is delivered, and how to keep things on track. However, as chair of the PAC, I have observed how frequently the same mistakes are made and how the system seems to be incapable of developing institutional learning and memory.
5. As we contemplate the changes that a General Election brings, regardless of how the votes stack up, I can offer some observations from my thirteen years on the PAC.

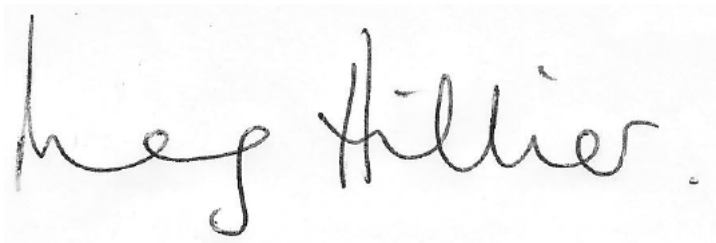
6. Firstly, we must recognise that some of the major challenges facing Britain require long-term investment and planning. These challenges should never become merely matters of political controversy, but instead should be dealt with over decades, and always in the national interest.
7. These might include how to accommodate our ageing and growing population, how to marshal the awesome potential of digital technology for the public good, how to manage major infrastructure projects, how to tackle man-made climate change, how to root out fraud, inefficiency and waste, and how to sustain an effective defence capability. The UK Government spends over one trillion pounds a year, but the scale must never mask the need to look after every penny.
8. Secondly, this need for scrutiny must be matched by the tools to do the job. The PAC remains an incredibly robust means to hold the powerful to account. Yet there is a scrutiny gap. As systems become ever-more multifaceted and labyrinthine, the job becomes more complex. We must always have the resources to fulfil our remit.
9. Thirdly, there are areas where eye-watering sums of the public's money are being spent, but which cannot be openly scrutinised. As a former Home Office minister, I recognise absolutely the need to maintain security and do nothing to aid the UK's enemies. Yet there is still an imperative to ask the right questions and investigate all areas of the public accounts, even if sensitive and secret.
10. I am concerned that there is a gap in Parliament's ability to hold government to account for spending and delivery in those areas which do not fall within the mandates or practical working arrangements of other committees. We need to work with the Government and within Parliament to identify a practical solution to enable effective scrutiny across sensitive areas of spending and delivery.
11. There are other areas where I believe scrutiny needs to evolve.
12. I believe there is a role for pre-project scrutiny—akin to pre-legislative scrutiny. A public airing of the plans for a major programme would shine sunlight on the potential benefits and pitfalls before large sums of money are spent. I have offered this to departments, but government has not been keen to adopt this voluntarily.
13. As well as scrutiny of specific projects, we need better mechanisms for allocative efficiency—so governments spend money where it makes the most difference. Spending on public health to save money on acute healthcare is one example where we need to be clearer about what can be achieved.

14. Slow politics is my term for the programmes that require long term perspectives beyond one Parliament, and that requires long-term spending plans. Most large infrastructure and defence programmes fall into this category. Digital transformation in government is also an area which needs consistent funding and, as this is now resource rather than capital, it is at risk of departmental budget cuts if there is no clear plan to protect it.
15. Finally on the subject of scrutiny, the supreme audit bodies and Public Accounts Committees of the UK¹ and the British Isles² have begun to meet together to compare our work. There is much more that could be done here. The way in which the four nations of the UK tackled the pandemic has been scrutinised by the four UK PACs, providing comparative findings across the UK ahead of the inquiries.
16. My lasting lesson from my time at the helm is that Britain is not a corrupt country, and we are fortunate to have public servants overwhelmingly dedicated to public service. But that does not mean we are a transparent and efficient country. All too often, we have seen money misdirected or squandered, not because of corruption, but because of group-think, intransigence, inertia, and cultures which discourage whistle-blowing. On occasion, the scale of failure has been seismic, such as HS2 or Horizon in the Post Office, or the procurement of PPE during Covid. Other times, there has been a systemic failure to be agile and adaptable as events unfolded.
17. Any incoming Government must learn from these failures, and have people within their ranks who have experience of what works and what doesn't. Without this, my successors as chair of the PAC will be doomed to a cycle of broken promises and wasted cash in perpetuity.
18. To carry out our work, we rely on the good offices of the committee's clerks, and other House of Commons staff, and to them I offer my heartfelt thanks. We also rely on the National Audit Office (NAO) for the high-quality value for money studies, investigations and financial audits. The PAC retains huge respect for the 956 professionals in Newcastle and London under the leadership of the Comptroller and Auditor General, Gareth Davies. It has been a privilege working with them and Parliament appreciates their work.

1 Public Accounts Committees of UK nations include [UK Parliament's Public Accounts Committee](#), [Scottish Parliament/Pàrlamaid na h-Alba's Public Audit Committee](#), [Welsh Parliament/Senedd Cymru's Public Accounts and Public Administration Committee](#), and [Northern Ireland Assembly/Tionól Thuaisceart Éireann's Public Accounts Committee](#) (Northern Ireland Assembly/Tionól Thuaisceart Éireann was suspended between February and May 2000, and between October 2002 and May 2007).

2 Public Accounts Committees in the British Isles include [Tynwald's PAC](#) for the Isle of Man, [the States Assembly/Assemblée des États' PAC](#) for Jersey, and [the States of Guernsey's PAC](#) which is part of the Scrutiny Management Committee.

- 19.** I pay tribute to my fellow committee members—now representing five different political parties. The committee’s work is a collaboration, and they all work hard, united in standing up for taxpayer interests. I pay particular thanks to Sir Geoffrey Clifton-Brown, who has defined the role of a deputy chair on the select committee corridor over the past seven years—an innovation which other select committees are now adopting. Sir Geoffrey has worked with me to ensure a positive and robust culture of truth-seeking and transparency, true to our founding principles.
- 20.** As an MP, and in whatever future capacity I serve my constituency and my country in the future, I will carry some very important memories and lessons from my time on the ‘queen of the committees’, not least that the public works hard for its money, and that a penny of waste is a penny stolen from the citizen who earned it.

A handwritten signature in black ink on a light background. The signature is written in a cursive style and reads "Meg Hillier".

Dame Meg Hillier MP

1 Long-term thinking and investment

The issue

- 21.** Government does not do enough to plan for the long-term, or to provide long-term investment for its policies. This not only causes problems now, but leaves problems that will be critical in the future. Lack of forward thinking means leaving problems that are more costly and more urgent, until they get to the point where they can no longer be ignored. Government must become better at ‘slow politics’. Politicians, commentators and the public need to acknowledge that planning ahead—for resilience and to tackle future risks—is good government.

Hospitals

- 22.** For many years, the Department of Health and Social Care (DHSC) has prioritised short-term spending needs. This lack of long-term thinking has long-term consequences for services and patient care.³ By 2021–22, the value of the maintenance backlog for NHS hospitals had reached £10.2 billion.⁴ The New Hospital Programme was supposed to address this issue by delivering forty new hospitals by 2030.⁵ Now, there appears to be insufficient funding to build all of the planned hospitals, and the new hospital design will be too small for projected future demand.⁶ There are bold, hard-to-deliver assumptions hardwired into the planning. The Committee has warned that this could lead to greater expenditure and disruption in the long-term⁷ when more hospitals will need to be built, or existing hospitals expanded, to cope with demand.

3 Committee of Public Accounts, [Progress with the New Hospital Programme](#), First Report of Session 2023–24, HC 77, 9 November 2023, p 8

4 Ibid, p 4

5 Ibid, p 3

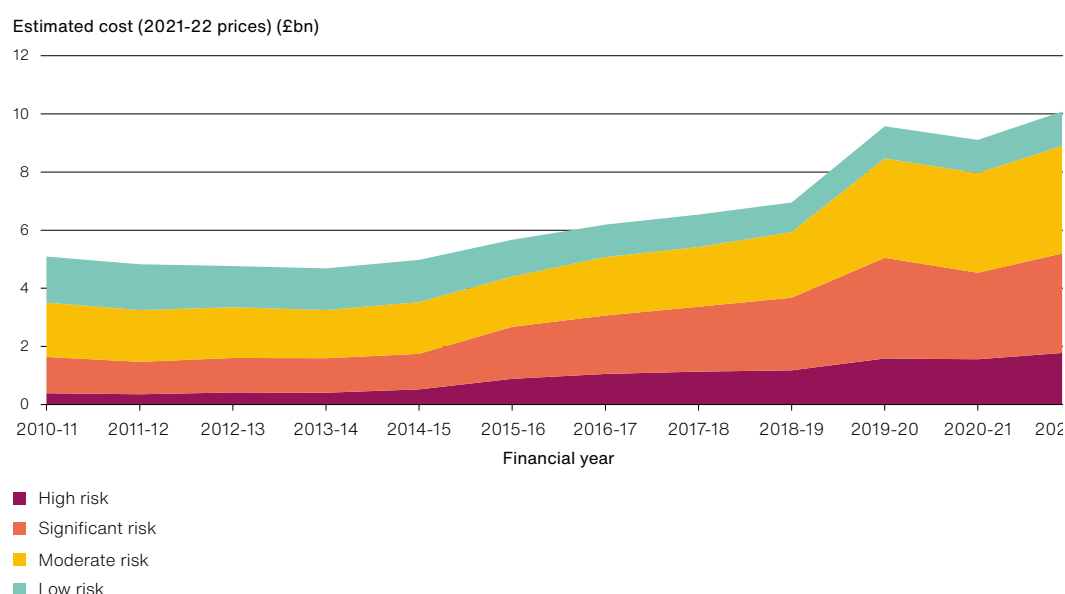
6 Ibid, p 7

7 Ibid

A graph showing the cost of the reported NHS maintenance backlog⁸

Estimated cost to eradicate the NHS maintenance backlog, 2010–11 to 2021–22.

The reported maintenance backlog has more than doubled in real terms since 2013–14, from £4.7 billion to £10.2 billion



Source: Figure 2 page 19 NAO New Hospital Programme report

Schools

- 23.** In the last year, we have seen the impacts of short-term thinking and investment on the safety of school buildings. This includes the effects of building methods employed decades ago with reinforced autoclaved aerated concrete (RAAC), and the long-running concerns about asbestos. The Department for Education (DfE) has failed to consider long-term value for money in school maintenance decisions.⁹ Problems with RAAC¹⁰ and asbestos¹¹ have shown that, without a long-term plan, there is a huge impact when a problem crystallises.
- 24.** At least eleven teachers have died from asbestos-related conditions each year since 2011,¹² yet the DfE does not understand the prevalence of

8 National Audit Office, [Progress with the New Hospital Programme](#), Session 2022–23, HC 1662, 17 July 2023, p 19

9 Committee of Public Accounts, [The condition of school buildings](#), Second Report of Session 2023–24, HC 78, 9 November 2023, p 7

10 Ibid, p 3

11 Ibid, p 14

12 Ibid, p 6

asbestos across the school estate.¹³ Similarly, although the Committee has been raising concerns about school maintenance (including RAAC) in schools for several years, the school estate has deteriorated to the point at which 700,000 pupils are learning in schools which need major refurbishment.¹⁴ Government needs to invest to save—spend on rebuilding schools before they are unsafe and very costly to refurbish. However, HM Treasury allocated only £1.3 billion per year for rebuilding schools (compared with the £4 billion per year requested by DfE),¹⁵ and DfE is behind its own schedule for awarding contracts for its School Rebuilding Programme.¹⁶ DfE must mitigate concerns about safety and value for money, and produce clear plans to address these challenges.¹⁷

A school classroom affected by Reinforced Autoclaved Aerated Concrete (RAAC)¹⁸



Source: School roof collapse via the Construction Index

13 Ibid

14 Ibid, p 16

15 National Audit Office, [Condition of school buildings: Department for Education](#), Session 2022–23, HC 1516, 28 June 2023, p 28

16 Ibid, p 9

17 Committee of Public Accounts, [The condition of school buildings](#), Second Report of Session 2023–24, HC 78, 9 November 2023, p 3

18 The Construction Index, [RAAC crisis escalates as more than 100 schools told to get out now](#), 1 September 2023

Animal health infrastructure

- 25.** Animal diseases pose a significant and ongoing threat—from 2001’s foot-and-mouth disease outbreak to COVID-19 and new potential diseases like African swine fever.¹⁹ This makes it important that government plans and invests for the long term. The Animal and Plant Health Agency (APHA)’s Weybridge site is the UK’s primary science capability for managing threats from animal diseases.²⁰ However, the Committee found that the Department for Environment, Food and Rural Affairs (DEFRA) did not have a long-term strategic plan for the site.²¹ By 2022, the site had “deteriorated due to inadequate management and under investment”.²²
- 26.** This deterioration was due to DEFRA’s under-investment in the site’s infrastructure²³ and insufficient staff resources.²⁴ DEFRA experienced challenges in recruiting more specialist technical, engineering and programme delivery staff to manage the Weybridge site.²⁵ At the same time, DEFRA was limiting recruitment as part of government’s overall objective to reduce staff numbers.²⁶
- 27.** The under-investment has “left the site vulnerable to a major breakdown which would severely impact the APHA’s operations including its ability to effectively respond to disease outbreaks”.²⁷ Despite recognising the Weybridge site’s deteriorating condition in 2015, DEFRA had taken a long time to begin its redevelopment programme.²⁸ It is vital that the UK’s science facilities, like the Weybridge site, receive sufficient investment to ensure the UK’s long-term resilience to diseases.²⁹ Government must learn lessons from the Weybridge site, so the situation is not repeated with other key national infrastructure.³⁰

19 Committee of Public Accounts, [Redevelopment of Defra’s animal health infrastructure](#), Twenty-Fourth Report of Session 2022–23, HC 42, 27 October 2022, p 5

20 Ibid, p 3

21 Ibid, p 5

22 Ibid, p 3

23 Ibid, p 5

24 Ibid

25 Ibid, p 7

26 Ibid

27 Ibid, p 3

28 Ibid, p 5

29 Ibid, p 6

30 Ibid, p 5

Reducing harms from illegal drugs

- 28.** Illegal drugs cause significant harm to individuals and communities.³¹ In 2021, drugs caused the death of almost 3,000 people in England, and the drugs trade was responsible for half of all murders in England and Wales.³² However, government's investment and planning have been short-term.
- 29.** Government has started to invest in prevention—addressing the root causes instead of leaving them to worsen and cost more in the future. But it must go further. One example is government's efforts to reduce the harms from illegal drugs. Despite publishing three drugs strategies since 2010,³³ government has been cutting funding for the treatment and recovery sector for years.³⁴
- 30.** This has led to closure of treatment services³⁵ and shortages of medical professionals.³⁶ As a result, deaths related to drug misuse increased by 80% between 2011 and 2021 alone.³⁷
- 31.** The latest strategy³⁸ is only as good as the certainty over funding. There is no plan³⁹ and no funding⁴⁰ beyond 2025. This prevents local authorities from recruiting and planning longer-term, so some are already planning service reductions beyond 2025.⁴¹ The strategy is unclear on how to reduce demand for drugs.⁴² Government's failure to focus on preventing illegal drug use means that it is only addressing the consequences of harms, rather than their causes.⁴³ For example, the strategy reinforces stigma attached to people who use drugs by directing them to the criminal justice system, rather than treatment services.⁴⁴ However, DHSC has estimated that every £1 spent on harm reduction and treatment gives a health and justice return of £4.⁴⁵ To save money and lives, government needs to invest early and focus on a long-term drugs strategy and the funding to deliver it.

31 National Audit Office, [Reducing the harm from illegal drugs](#), Session 2022–23 HC 1864, 20 October 2023, p 5

32 Ibid

33 Ibid, p 21

34 Ibid, p 31

35 Ibid, p 17

36 Ibid, p 10

37 Ibid, p 4

38 HM Government, [From harm to hope: A 10-year drugs plan to cut crime and save lives](#), December 2021

39 National Audit Office, [Reducing the harm from illegal drugs](#), Session 2022–23 HC 1864, 20 October 2023, p 12

40 Ibid, p 10

41 Ibid

42 Ibid, p 25

43 Ibid, p 12

44 Ibid, p 7

45 Ibid, p 24

Net Zero

- 32.** Government's planning for achieving Net Zero is still too short-term. Although government has committed to achieving Net Zero by 2050, its delivery plan only reflects funding until 2025.⁴⁶ Similarly, when designing its Net Zero Research and Innovation Framework, government did not consider the public sector investment which might be required up to 2050.⁴⁷ Government could struggle to attract the large amounts of private sector investment which it needs to achieve its ambition.⁴⁸ The technologies needed to achieve Net Zero require longer-term financial investment, from both the public and private sectors.⁴⁹ The Department for Energy Security and Net Zero (DESNZ) must set out its plans for supporting the development of these technologies beyond the Spending Review period of 2022–2025.

Cross-government working

- 33.** Evaluating programmes is important for long-term planning and investment. It helps organisations to learn what works and makes future projects more likely to succeed.⁵⁰ It is especially important to evaluate cross-departmental programmes which focus on priority policy areas where there is limited evidence of what works, like Net Zero.⁵¹ Done well, cross-government working can deliver outcomes more effectively and with better value for money.⁵²
- 34.** Ongoing monitoring and evaluation is important for projects and programmes.⁵³ However, evaluation by government has been variable and inconsistent.⁵⁴ In 2019, only 8% of major projects had robust evaluation plans,⁵⁵ and government continues to be slow to address problems.⁵⁶ Departments must become better at sharing best practice and lessons learned, once projects have concluded.⁵⁷ Since government set up the joint Evaluation Task Force, the Cabinet Office and HM Treasury have been more

46 Committee of Public Accounts, [Support for innovation to deliver net zero](#), Seventy-Ninth Report of Session 2022–23, HC 1331, 19 October 2023, p 5

47 Ibid, p 9

48 Ibid, p 5

49 Ibid, p 9

50 National Audit Office, [Lessons learned: cross-government working](#), Session 2022–23, HC 1659, 7 July 2023, p 25

51 Ibid

52 Ibid, p 4

53 Ibid, p 25

54 Ibid

55 Ibid

56 Ibid

57 Ibid, p 26

proactive on evaluation.⁵⁸ Government must commit to programmes like this, to drive continuous improvement in evaluation.

Evaluating tax measures

- 35.** HM Revenue and Customs (HMRC)'s 2022–2023 tax compliance yield was £2 billion below its own target,⁵⁹ and remains below pre-pandemic levels.⁶⁰ As compliance yield is one of HMRC's main performance indicators,⁶¹ this needs to improve.⁶² Tax debt was £4.7 billion higher in 2022–23 than in 2021–22.⁶³ Levels of new debt are rising faster than HMRC is clearing old debt.⁶⁴ The number of tax debts older than twelve months increased by 25%.⁶⁵ HMRC must get tax debt back to pre-pandemic levels.⁶⁶
- 36.** HMRC and HM Treasury must scrutinise tax reliefs more carefully. At £204 billion a year, tax reliefs with economic or social aims make up a quarter of the total tax take.⁶⁷ There are too many tax reliefs which cost much more than expected.⁶⁸ Despite this, HMRC cut its budget for evaluating reliefs by more than a quarter in 2023–24 to just £600,000.⁶⁹ It is vital that government changes how it evaluates tax reliefs, to make sure that they achieve their aims and are good value for money.

Restoration and Renewal

- 37.** The Palace of Westminster's Restoration and Renewal programme is an example of poor long-term planning and lack of investment. Progress on restoring the Palace of Westminster has been painfully slow.⁷⁰ Despite twenty-five years of agreement that critical works must take place,⁷¹ Parliament has not agreed what a restored Palace might look like, how to

58 Ibid, p 25

59 National Audit Office, [Report by the Comptroller and Auditor General: HM Revenue & Customs 2022–23 Accounts](#), p R6

60 Ibid, p R9

61 Ibid, p R6

62 Ibid, p R9

63 Ibid, p R7

64 Ibid

65 Ibid

66 Committee of Public Accounts, [Oral evidence: HMRC Standard Report 2022–23](#), HC 76, 14 December 2023, Q 38

67 National Audit Office, [Tax measures to encourage economic growth](#), Session 2023–24, HC 445, 26 January 2024, p 17

68 Ibid, p 13

69 Ibid, p 10

70 Committee of Public Accounts, [Restoration & Renewal of the Palace of Westminster – 2023 Recall](#), Fifty-Second Report of Session 2022–23, HC 1021, 24 April 2023, p 3

71 Ibid

deliver it or what the timeframe might be.⁷² The Committee has repeatedly raised concerns about the Restoration and Renewal programme's plans. Over a decade, there has not been a final decision about the way forward. Without that plan, the cost of work is uncertain.⁷³ Uncertainty is causing significant delays⁷⁴ which have been costly to the taxpayer—shunting costs into the future is not value for money.⁷⁵ Parliament spends up to £2 million a week simply on patching up the Palace⁷⁶—carrying out works for health and safety reasons which will be redone under the Restoration and Renewal programme.⁷⁷

The Elizabeth Tower undergoing essential conservation⁷⁸



Source: Elizabeth Tower David Holt Creative Commons License

- 38.** The Committee also has raised concerns about the growing list of health and safety incidents⁷⁹ putting employees' and visitors' safety at risk⁸⁰—

72 Ibid, p 6

73 Ibid, p 3

74 Ibid, p 6

75 Ibid, p 3

76 Ibid

77 Committee of Public Accounts, [Oral evidence: Restoration and Renewal Recall](#), HC 1781, 19 October 2023, Q 90

78 Skyrise Cities, [Palace of Westminster Wrapped in Scaffolding as Renovation Progresses](#), 26 October 2017

79 Committee of Public Accounts, [Restoration & Renewal of the Palace of Westminster – 2023 Recall](#), Fifty-Second Report of Session 2022–23, HC 1021, 24 April 2023, p 3

80 Ibid, p 10

including twelve instances of falling masonry, an asbestos-related incident and 24-hour fire patrols throughout the Palace.⁸¹ Despite being responsible for the safety of those using and working in the Palace,⁸² and despite appointing several additional Health and Safety professionals in the last few months,⁸³ the Clerk of the House of Commons admitted that he did not feel confident that safety structures were robust enough.⁸⁴ Parliament cannot keep putting off the decision.

81 Ibid, p 11

82 Ibid, p 10

83 Ibid, p 11

84 Ibid

2 Resilience

The issue

- 39.** Government must improve its ability to prepare for and respond to challenges. Failure to embed resilience into policies has caused major problems, which will cost time and money to resolve. The five year electoral cycle leads to a belief or hope that a catastrophic incident will not take place on our watch. This has led to a lack of planning ahead. It is crucial that government builds resilience into its policies, to protect the public, the country and public services.

Healthcare workforce

- 40.** DHSC and NHS England have acknowledged that staff shortages are the main constraint to improving and expanding services, and reducing treatment gaps.⁸⁵ Increasing pressure has caused rising numbers of staff to take sick days—or leave altogether.⁸⁶ This has meant a vicious cycle of greater workloads for remaining staff.⁸⁷ The Committee has expressed concern about the short-term nature of workforce plans and funding settlements for workforce training, which is impacting staff’s ability to provide care.⁸⁸ Government needs to build on existing workforce plans to improve the situation in the medium term. This has a real-life impact on people waiting for care as the NHS struggles to reduce backlogs.⁸⁹
- 41.** DHSC and NHS England also have failed to build capacity within the team delivering its landmark New Hospital Programme.⁹⁰ The programme has been over-reliant on external consultants, causing a lack of continuity and making it more expensive.⁹¹ Lack of capacity is one reason for which the New Hospital Programme may not deliver (others being risks that DHSC’s

85 Committee of Public Accounts, [Progress in improving NHS mental health services](#), Sixty-Fifth Report of Session 2022–23, HC 1000, 10 July 2023, p 9

86 Ibid, p 5

87 Ibid, p 9

88 Ibid

89 Ibid, p 13

90 Committee of Public Accounts, [The New Hospital Programme](#), First Report of Session 2023–24, HC 77, 9 November 2023, p 3

91 Ibid

standard design for future hospitals will be too small,⁹² and that there will be insufficient funding for DHSC to build all the hospitals which it plans to build⁹³). To make services more sustainable, government and the NHS must prioritise preventative measures and early interventions to reduce the need for more intensive treatments later on.

Workforce resilience

- 42.** To create a resilient workforce, organisations must hire the right people and keep them. Government has fewer than half the digital, data and technology professionals that it needs,⁹⁴ leaving departments reliant on contractors.⁹⁵ Concerningly, there are particular shortages of cyber security staff.⁹⁶ Despite this, headcount cuts are still taking place,⁹⁷ which risk costing government more in the long term.⁹⁸ For example, when government’s own recruitment service cut its headcount by 40% in 2022, it had to reverse the cuts a year later to avoid service failure.⁹⁹ To ensure long-term benefit, government should avoid simplistic headcount targets¹⁰⁰ and instead invest continuously in staff development¹⁰¹ to maintain resilience.
- 43.** Pensions play an important part in the package which employers can offer candidates.¹⁰² The Committee found that pensions can help the public sector by “making up for lower average pay compared to equivalent roles in the private sector”.¹⁰³ However, many younger people are not paying into their pensions because of the high cost of living.¹⁰⁴ This will put more pressure on HM Treasury when these people reach pension age and need state support.¹⁰⁵ HM Treasury must help people understand the value of

92 Ibid, p 7

93 Ibid

94 [Committee of Public Accounts, Digital transformation in government: addressing the barriers to efficiency](#), Seventieth Report of 2022–23, HC 1229, 7 September 2023, p 6

95 Committee of Public Accounts, [The Defence digital strategy](#), Thirty-Sixth Report of Session 2022–23, HC 727, 26 January 2022, p 11

96 Public Sector Focus, [Digital transformation: bringing an analogue Whitehall up to date, interview with Chair](#), September/October 2023, p 39

97 Ibid

98 Committee of Public Accounts, [Digital transformation in government: addressing the barriers to efficiency](#), Seventieth Report of 2022–23, HC 1229, 7 September 2023, p 6

99 National Audit Office, [Civil service workforce: Recruitment, pay and performance management](#), Sessions 2023–24, HC 192, 29 November 2023, p 9

100 Committee of Public Accounts, [Digital transformation in government: addressing the barriers to efficiency](#), Seventieth Report of 2022–23, HC 1229, 7 September 2023, p 7

101 Ibid, p 11

102 Committee of Public Accounts, [Public sector pensions](#), Sixth Report of 2021–22, HC 289, 7 June 2021, p 12

103 Ibid, p 8

104 Ibid, p 3

105 Ibid

their pensions, so they can make more informed choices about opting out.¹⁰⁶ HM Treasury also must maintain an up-to-date understanding of why people opt out of their pensions, and the issues employers face when trying to demonstrate pensions' value.¹⁰⁷ Increases in employers' pension contributions have impacted frontline services. For example, the Committee found that "at least one higher education institution has had to make redundancies in response to the 2019–20 increase in employers' pension costs".¹⁰⁸ To minimise the impact on employers, HM Treasury should give plenty of notice and support when planning to change employer contribution rates.¹⁰⁹

Defence Equipment Plan 2023–33

- 44.** The MoD publishes its Equipment Plan each year, stating its intended investment in equipment and support projects for the next ten years. The Plan assesses whether the capability outlined is affordable within the available budget.¹¹⁰ The 2023–33 Plan is unaffordable, with a likely funding shortfall of at least £16.9 billion.¹¹¹ This is the largest deficit since the MoD first published the Plan in 2012.¹¹²
- 45.** As well as this prospective over-spend, the MoD is seeing too many delays to major programmes' delivery. Add to this supply chain risks and the speed at which some equipment needs replenishing due to the war in Ukraine, and there is a risk to wider resilience.¹¹³ The MoD is not planning to make major decisions about cancelling programmes until after the next Spending Review.¹¹⁴ The MoD must now produce specific, detailed plans for cost reduction (which it does not currently have),¹¹⁵ make decisions about prioritisation, and continue to build resilience after decades of lean stockpiles.¹¹⁶

106 Ibid, p 6

107 Ibid

108 Ibid, p 12

109 Ibid, p 5

110 National Audit Office, [The Equipment Plan 2023–2033](#), Session 2023–24, HC 315, 4 December 2023, p 5

111 Ibid, p 10

112 Ibid, p 7

113 Ibid, p 9

114 Ibid, p 42

115 Ibid, p 23

116 Ibid, p 40

Housing

- 46.** Supported housing provides homes for vulnerable people, including people with physical and mental health needs.¹¹⁷ Despite well-known issues with the supported housing sector,¹¹⁸ the Department for Levelling Up, Housing and Communities (DLUHC) and the Department for Work and Pensions (DWP) have no reliable data about it.¹¹⁹ DLUHC does not know how many people live in supported housing,¹²⁰ what demand there is,¹²¹ or how much supported housing exists—but acknowledges that there is not enough.¹²² The data which is held is incomplete and out of date.¹²³ Lack of data means that government cannot rectify problems with existing housing,¹²⁴ or target new housing to where it is needed. Lack of data also means that government cannot tackle unscrupulous providers renting poor quality housing with limited support.¹²⁵ It is vital that government radically improves and keeps up to date its data on demand, supply, and costs of supported housing. The cost in tax pounds of not acting is significant, but the human cost is immense.

Legacy digital systems

- 47.** Government has significant issues with ageing IT systems.¹²⁶ 30% of DEFRA's applications are so outdated that they are not supported by their supplier.¹²⁷ DEFRA uses around 1,962 different systems,¹²⁸ as older systems usually were built for a single purpose.¹²⁹ Older systems provide poor service for those using them¹³⁰—the Committee found that the MoD's aged systems make even routine tasks like ordering boots complicated.¹³¹ Legacy

117 Committee of Public Accounts, [Supported housing](#), Seventy-Seventh Report of Session 2023–24, HC 1330, 19 October 2023, p 3

118 Ibid

119 Ibid, p 6

120 Ibid, p 10

121 Ibid, p 4

122 Ibid, p 3

123 Ibid, p 6

124 Ibid, p 3

125 Ibid

126 Committee of Public Accounts, [Tackling Defra's aging digital services](#), Fifty-First Report of Session 2022–23, HC 737, 18 April 2023, p 4

127 Ibid

128 National Audit Office, [Modernising aging digital systems: Department for Environment, Food and Rural Affairs](#), Sessions 2022–23, HC 948, 6 December 2022, p 4

129 Ibid, p 13

130 Committee of Public Accounts, [Tackling Defra's aging digital services](#), Fifty-First Report of Session 2022–23, HC 737, 18 April 2023, p 4

131 Committee of Public Accounts, [The Defence digital strategy](#), Thirty-Sixth Report of Session 2022–23, HC 727, 26 January 2022, p 5

systems are expensive to maintain,¹³² expensive to modernise,¹³³ and at risk of failure and cyber-attacks.¹³⁴ In 2019, the MoD stated that it would need to spend £11.7 billion to update and replace its legacy systems.¹³⁵ Since then, government has struggled to deliver programmes to replace these systems—calling two of the programmes ‘unachievable’.¹³⁶ Government must upgrade its legacy systems, using a realistic programme.¹³⁷

- 48.** One example of legacy IT systems having real-life impacts on ordinary people is DWP’s pensions scandal. DWP has underpaid pensioners £2.5 billion,¹³⁸ with errors dating back to 1985, and many more pensioners may still be under-claiming.¹³⁹ 90% of these underpaid pensioners are women.¹⁴⁰ The errors were due to outdated systems dating back to 1988.¹⁴¹ The lack of functionality in these older systems caused reliance on manual processing¹⁴² and the use of multiple systems to complete tasks.¹⁴³ DWP failed to upgrade systems, instead increasing complexity by layering new systems on top of older ones.¹⁴⁴ Government must find cost-effective ways to upgrade its IT systems, especially considering the high human and monetary cost of errors.¹⁴⁵

Local authority finances and audits

- 49.** Local authorities in England spend over £100 billion each year delivering vital public services for their local taxpayers.¹⁴⁶ Local authorities need timely audits, so they know the resources which they have available and can make informed budgetary decisions.¹⁴⁷ However, the backlog of audit

132 Committee of Public Accounts, [Tackling Defra’s aging digital services](#), Fifty-First Report of Session 2022–23, HC 737, 18 April 2023, p 4

133 Ibid

134 Ibid, p 5

135 Committee of Public Accounts, [The Defence digital strategy](#), Thirty-Sixth Report of Session 2022–23, HC 727, 26 January 2022, p 3

136 Ibid

137 Ibid

138 Committee of Public Accounts, [The Department for Work & Pensions Annual Report and Accounts 2022–23](#), Fourth Report of Session 2023–24, HC 290, 16 November 2023, p 6

139 Committee of Public Accounts, [Underpayments of the State Pension](#), Thirty-Third Report of Session 2021–22, HC 654, 12 January 2022, p 3

140 Ibid, p 4

141 Ibid, p 5

142 Ibid, p 3

143 Ibid, p 5

144 Ibid

145 Ibid

146 Levelling Up, Housing and Communities Committee, [Financial Reporting and Audit in Local Authorities](#), First Report of 2023–24, HC 59, 24 November, 2023, p 3

147 Committee of Public Accounts, [Timeliness of local auditor reporting](#), Sixtieth Report of Session 2022–23, HC 995, 12 June 2023, p 3

opinions is unacceptably high.¹⁴⁸ There were 918 local government audits outstanding at the end of September 2023.¹⁴⁹ Just 12% of local audit opinions arrived in time for the (already extended) 2021–22 accounts’ deadline.¹⁵⁰ Delays increase the risk that issues will go undetected.¹⁵¹

- 50.** DLUHC has made only ‘sticking plaster’ interventions (like temporary changes to audit guidance¹⁵²) which have had little impact.¹⁵³ Although the Committee has asked for a timetable for improvement several times,¹⁵⁴ DLUHC cannot say how and when this situation will improve.¹⁵⁵
- 51.** Another barrier to resilience is the small¹⁵⁶ and ageing¹⁵⁷ workforce. DLUHC’s planned new qualification to support experienced audit staff to move from other sectors into the local audit sector will not provide the required numbers of staff quickly enough.¹⁵⁸ Long-term workforce development is essential to build resilience.¹⁵⁹

148 Ibid, p 5

149 Financial Reporting Council, [Major local audits – Audit Quality Inspection](#), December 2023, p 9

150 Committee of Public Accounts, [Timeliness of local auditor reporting](#), Sixtieth Report of Session 2022–23, HC 995, 12 June 2023, p 3

151 Ibid

152 Ibid, p 6

153 Ibid, p 3

154 Ibid, p 5

155 Ibid, p 3

156 Ibid, p 6

157 Ibid, p 13

158 Ibid, p 6

159 Ibid

3 Risk management and understanding

The issue

- 52.** Risk management is crucial to delivering public services. Government's risk appetite is clear in some areas, but not others. Other sectors, such as banking, have a much better developed approach to risk. Keeping the country safe is the first responsibility of government. Managing potential risks has to be core to that. To better safeguard the public and provide services, government must improve its management and understanding of risks—both known and unknown.

HS2 and Euston

- 53.** The HS2 programme is government's largest infrastructure programme by value.¹⁶⁰ It is an example of a large project that was not properly scoped and budgeted from the beginning, and where risk was not understood or managed over a long period. When setting the £2.6 billion budget for the HS2 Euston station, the Department for Transport (DfT) and HS2 Ltd underestimated project costs' increase over time.¹⁶¹ By August 2021, HS2 Ltd had sent several early warning notices to DfT, stating that the lack of a baseline from which to plan was affecting its risk management.¹⁶² By September 2022, the Department's independent technical reviewer reported that there was no evidence that the programme's estimates would fall within budget, due to the design's and cost estimate's immaturity.¹⁶³ By March 2023 (when government decided to pause new construction work¹⁶⁴), the Euston Partnership still did not have a comprehensive, integrated plan

160 National Audit Office, [High Speed Two: Euston](#), Session 2022–23, HC 1201, 27 March 2023, p 5

161 Ibid, p 7

162 Ibid, p 23

163 Ibid, p 25

164 Ibid, p 11

for the three projects,¹⁶⁵ increasing risk across the whole programme.¹⁶⁶ To show that their design for HS2 will be value for money, DfT and HS2 Ltd must demonstrate an understanding of their design's costs and risks within the wider programme.¹⁶⁷

Building works related to HS2 at Euston station¹⁶⁸



Source: HS2 at Euston Getty images via BBC News

Nuclear resources

- 54.** One of the largest cost increases in the Ministry of Defence (MoD)'s Equipment Plan for 2023–33 came from delivering the replacement nuclear deterrent¹⁶⁹—an increase of over £38.2 billion compared to the previous Plan.¹⁷⁰ There is also uncertainty about whether programmes in the Plan are even achievable. One of these is core production capability for nuclear

165 The three projects are High Speed 2 Euston, Network Rail Station and Over Site Development enabling works for HS2 - National Audit Office, [High Speed Two: Euston](#), Session 2022–23, HC 1201, 27 March 2023, p 35

166 National Audit Office, [High Speed Two: Euston](#), Session 2022–23, HC 1201, 27 March 2023, p 11

167 Ibid, p 12

168 BBC News, [HS2: Government unclear on Euston station goal, report finds](#), 7 July 2023

169 National Audit Office, [Defence Equipment Plan 2023–33](#), Session 2023–24, HC 315, 4 December 2023, p 8

170 The Defence Nuclear Organisation's costs have increased by £38.2 billion, but delivery of the nuclear deterrent also accounts for 20% of the Navy's costs. The Navy's total costs increased by £16.4 billion - National Audit Office, [Defence Equipment Plan 2023–33](#), Session 2023–24, HC 315, 4 December 2023, p 17

submarine reactors, despite the nuclear deterrent being the MoD's highest priority.¹⁷¹

- 55.** Government has a poor record of decommissioning nuclear resources quickly and cost effectively. The Nuclear Decommissioning Authority (NDA), overseen by DESNZ, does not fully understand the UK's civil nuclear sites, making it difficult to judge the cost and timescale of decommissioning them.¹⁷² Decommissioning work was hindered by the catastrophic failure of the NDA's contract with Magnox to manage some civil nuclear sites,¹⁷³ which cost the taxpayer £142 million.¹⁷⁴ Currently, the NDA estimates that decommissioning the UK's civil nuclear sites will cost £132 billion¹⁷⁵ and take until 2333.¹⁷⁶
- 56.** The Committee has also found the MoD's progress in defueling and dismantling the UK's twenty legacy submarines disappointing.¹⁷⁷ The project has moved at a glacial pace, resulting in extortionate costs for storage and maintenance.¹⁷⁸ Despite the submarines being retired in 1980, and despite the MoD assuring the Committee that the first submarine would be dismantled by 2023,¹⁷⁹ no submarine has yet been dismantled.¹⁸⁰ In 2023, the MoD stated that the first submarine would be fully dismantled by the end of 2026.¹⁸¹ However, decommissioning nuclear submarines is time-consuming and costly, at a time when there is huge demand on civil and defence nuclear skills. The impact on dockyard space is reaching a critical point and the decommissioning, ignored for decades, is now creating knock-on risks and challenges.

171 National Audit Office, [Defence Equipment Plan 2023–33](#), Session 2023–24, HC 315, 4 December 2023, p 38

172 Committee of Public Accounts, [The Nuclear Decommissioning Authority's management of the Magnox contract](#), Twenty-Eighth Report of Session 2019–21, HC 653, 23 November 2020, p 5

173 Ibid, p 4

174 This cost comprised £122 million for the NDA's mismanagement of the procurement process and £20 million for the contract's termination.

175 Committee of Public Accounts, [The Nuclear Decommissioning Authority's management of the Magnox contract](#), Twenty-Eighth Report of Session 2019–21, HC 653, 23 November 2020, p 5

176 Nuclear Decommissioning Authority, [About us](#), accessed 24 January 2024

177 Committee of Public Accounts, [Submarine defueling and dismantling](#), One-Hundredth and First Report of Session 2017–19, HC 2041, 12 June 2019, p 3

178 Ibid

179 Ibid

180 Question for the Minister of Defence, [Nuclear submarines: decommissioning](#), UIN 57, tabled 7 November 2023

181 Question for the Minister of Defence, [Nuclear submarines: decommissioning](#), UIN 188205, tabled on 7 June 2023

Sellafield nuclear site¹⁸²



Source: Simon Ledingham via Construction Wave

Fraud and error

- 57.** Benefit payments are susceptible to fraud by organised crime groups and opportunistic individuals, and error by claimants and DWP.¹⁸³ The level of fraud and error remains unacceptably high.¹⁸⁴ Of the £8.2 billion which DWP overpaid in 2022–23, £6.4 billion was due to fraud.¹⁸⁵ DWP does not expect fraud to reduce to pre-pandemic levels until 2027–28, and has warned that high levels of fraud could become perceived as normal.¹⁸⁶
- 58.** DWP cannot demonstrate that its counter-fraud activities are impactful and cost-effective.¹⁸⁷ The biggest element of its counter-fraud plan is reviewing millions of Universal Credit claims. However, DWP’s plan to outsource 40% of reviews to private contractors adds risks to quality and customer service.¹⁸⁸ DWP must do more to understand the different risks across the system and have a clear plan to mitigate against the risks.
- 59.** Concerningly, DWP has shown its inability to manage risk by reporting yet another historic underpayment of State Pension,¹⁸⁹ adding £1.3 billion to

182 Construction Wave, [Sellafield construction workers among thousands to strike over pay](#), 18 October 2023. Image credit: Simon Ledingham, aerial view Sellafield, Cumbria, via WikiCommons

183 Committee of Public Accounts, [The Department for Work & Pensions Annual Report and Accounts 2022–23](#), Fourth Report of Session 2023–24, HC 290, 16 November 2023, p 9

184 Ibid, p 3

185 Ibid

186 Ibid

187 Ibid, p 11

188 Ibid, p 6

189 Ibid, p 3

the previous £1.2 billion underpayment affecting 165,000 pensioners due to historical errors by DWP.¹⁹⁰ DWP is not addressing its risk of making further errors, as it does not routinely check that claimants are receiving the correct National Insurance credits.¹⁹¹ It is imperative that DWP reduces fraud and error in benefit spending, and operates a cost-effective system.¹⁹²

Procurement

- 60.** While government uses different procurement approaches in specific circumstances, it is recognised that competition supports quality and innovation.¹⁹³ Competition also can increase confidence in the integrity of public spending,¹⁹⁴ whilst a lack of competition can reduce value for money because of higher prices, inefficiencies or poorer outcomes.¹⁹⁵ Particular attention needs to be paid to new technology procurement projects where we have seen failures, such as the Emergency Services Network and Electronic Tagging.¹⁹⁶
- 61.** Departments' approaches to procurement affect competition, the risks which they need to manage¹⁹⁷ and long-term supplier relationships.¹⁹⁸ High bid costs, lack of confidence in evaluation, and lack of feedback deter suppliers—especially the smaller suppliers which government says that it wants to encourage.¹⁹⁹ Departments could make better use of competition by designing realistic requirements for the goods and services which they are procuring,²⁰⁰ and by holding information on suppliers so that they can better manage the risks of procuring quickly.²⁰¹ Often, government's poorly designed requirements and sourcing has led to few bids, or granting contracts to unsuitable suppliers.²⁰²
- 62.** In some markets, there are too few competitors for the market to work. For example, when scrutinising rail franchises, the Committee noted that “[T]here is a real risk to value for money if market interest in operating rail

190 Ibid, p 6

191 Ibid, p 7

192 Ibid, p 5

193 National Audit Office, [Lessons learned: competition in public procurement](#), Session 2022–23, HC 1664, 19 July 2023, p 6

194 Ibid, p 8

195 Ibid, p 6

196 Committee of Public Accounts, [Oral evidence: Lessons for government: monitoring and responding to companies in distress](#), HC 425, 17 January 2024, Q79]

197 National Audit Office, [Lessons learned: competition in public procurement](#), Session 2022–23, HC 1664, 19 July 2023, p 35

198 Ibid, p 9

199 Ibid

200 Ibid

201 Ibid, p 38

202 Ibid, p 9

franchises declines any further”.²⁰³ Government must “develop alternatives to its current commercial approach so it is well placed to deliver value for money if market interest falls to a level where intense competition cannot be guaranteed”.²⁰⁴ Government has recognised that improvements in procurement could bring savings of £4–£7.7 billion per year.²⁰⁵ The new Procurement Act may lead to improvements, but the increased flexibility which it offers will bring additional risks to manage.²⁰⁶

Preparedness for the pandemic

- 63.** Between March 2020 and March 2022, government distributed £22 billion through local authorities to help small businesses,²⁰⁷ help people to stay in work for longer,²⁰⁸ and help vulnerable groups like self-employed people²⁰⁹ during the pandemic. The Committee “commended the hard work of both departments and their staff in implementing the schemes at pace and ensuring that help got to people quickly”.²¹⁰ However, before the pandemic, government had no plan for supporting businesses during national emergencies.²¹¹ Government’s lack of understanding of small businesses²¹² affected schemes’ design and implementation,²¹³ and it was slow to act on feedback.²¹⁴
- 64.** To distribute grants quickly (less than a month after their announcement), the Department for Business, Energy and Industrial Strategy (BEIS, now the Department for Business and Trade or DBT) compromised on targeting support and carrying out pre-payment checks.²¹⁵ BEIS (now DBT) has admitted that it was insufficiently aware of these checks’ importance for managing losses.²¹⁶ As a result, over 90% of the £1.1 billion loss to fraud

203 Committee of Public Accounts, [Reform of the rail franchising programme](#), Twenty-first Report of Session 2015–16, HC 600, 3 February 2016, p 5

204 Ibid

205 National Audit Office, [Lessons learned: competition in public procurement](#), Session 2022–23, HC 1664, 19 July 2023, p 7

206 Ibid, p 21

207 Committee of Public Accounts, [Local authority administered COVID support schemes in England](#), Sixty-Eighth Report of Session 2022–23, HC 1234, 19 July 2023, p 3

208 Ibid, p 14

209 Committee of Public Accounts, [COVID employment support schemes](#), Fortieth Report of Session 2022–23, HC 810, 23 February 2023, p 8

210 Ibid

211 Committee of Public Accounts, [Local authority administered COVID support schemes in England](#), Sixty-Eighth Report of Session 2022–23, HC 1234, 19 July 2023, p 15

212 Ibid, p 3

213 Ibid, p 6

214 Ibid, p 3

215 Ibid, p 5

216 Ibid

and error relates to early schemes.²¹⁷ BEIS (now DBT) has made no serious attempt to recover wrongly distributed funds during²¹⁸ or after²¹⁹ the pandemic. Government needs to turn lessons learned from the pandemic into plans for health and other essential services which could help in a future emergency.²²⁰

Compensation schemes

- 65.** Government has set up several schemes to compensate people who have “suffered harm, hardship and distress owing to failures by public bodies”.²²¹ However, government has not adequately managed risks to some compensation schemes’ success. For example, the Committee’s inquiry into the Windrush Compensation Scheme²²² found that government had not appointed enough people to run the scheme, and had made the scheme too complex for claimants.²²³ This resulted in unacceptable delays, with some people dying while waiting to be compensated.²²⁴
- 66.** More recently, government has announced a compensation scheme for sub-postmasters convicted due to evidence from the flawed Horizon system.²²⁵ But government is not doing enough to manage risks to “prevent the big mistakes it has made... happening all over again”.²²⁶ Government must learn from past mistakes when setting up new compensation schemes, so that it can compensate people swiftly and fairly.²²⁷

217 Ibid, p 3

218 Ibid

219 Ibid, p 5

220 Ibid, p 3

221 [Correspondence from Dame Meg Hillier, Chair of the Committee of Public Accounts, to Gareth Davies, Comptroller and Auditor General, National Audit Office on Government compensation and financial redress schemes](#), dated 25 January 2024

222 Home Office, [Windrush Compensation Scheme: full rules](#), 24 October 2023

223 Committee of Public Accounts, [Windrush compensation scheme](#), Fourteenth report of Session 2021–22, 22 July 2021, p 3

224 Ibid, p 5

225 [Correspondence from Dame Meg Hillier, Chair of the Committee of Public Accounts, to Gareth Davies, Comptroller and Auditor General, National Audit Office on Government compensation and financial redress schemes](#), dated 25 January 2024

226 Committee of Public Accounts, [Business Department does not expect to recoup billions of taxpayers’ money lost to fraud and mistakes in pandemic support](#), 26 April 2023

227 [Correspondence from Dame Meg Hillier, Chair of the Committee of Public Accounts, to Gareth Davies, Comptroller and Auditor General, National Audit Office on Government compensation and financial redress schemes](#), dated 25 January 2024

National Windrush monument, Waterloo station²²⁸



Source: National Windrush monument Royal Life Magazine

228 Royal Life, [The King and Queen will Mark the Windrush 75th Anniversary](#), 10 June 2023

Annex – The Big Nasties – essential spending which cannot be put off

The tables below highlight problems, key costs and risks across nineteen areas of essential government spending related to health; education; defence; justice; levelling up; housing and communities; environment, food and rural affairs; energy security and net zero; and finally two areas of spending which are overarching across government.

Table 1: Health – areas of essential spending within the remit of the Department of Health and Social Care

Government area	The problem	Key costs	Risk
Overall health budget	Most nations are seeing an increase in health costs as their populations age, even with an increase in investment in prevention, logistics and productivity.	£178.3 billion = amount spent on revenue spending by the Department of Health and Social Care (DHSC) in 2022–23 £9.8 billion = amount spent on capital projects by the DHSC in 2022–23	At the start of the COVID-19 pandemic, the NHS in England had not met its elective waiting time performance standard for four years, nor its full set of eight operational standards for cancer services for six years. In the first five months of 2022–23, only 62% of patients referred by their GP with cancer started treatment within the target 62 days. As our population ages we will need to invest more and more to treat people and keep them healthy. Government needs to invest more in preventative measures to address health and well-being challenges before they become more serious and costly.

Government area	The problem	Key costs	Risk
Hospital buildings	The raiding of capital budgets is an underlying cause of the estates crisis the NHS is now in, particularly with the emerging consequences of Reinforced Autoclaved Aerated Concrete (RAAC). The Department of Health and Social Care (DHSC) has for some years focused on short-term financial viability in ways that failed to consider the long-term consequences for services and patient care.	£10.2 billion = maintenance backlog in 2021–22 £4.7 billion = maintenance backlog in 2013–14	Working in out-of-date buildings that have not been well maintained makes it hard for the NHS to modernise and hampers productivity and efficiency at a time when record numbers of adults are unable to work owing to ill health and progress needs to be made on the long NHS waiting lists. DHSC should not reduce planned capital investment to meet day-to-day spending needs in future.
Health security campus programme	The UK Health Security Agency's health security campus contains vital national infrastructure including high containment laboratories which are essential for protecting the nation against highly infectious diseases. This infrastructure now needs to be enhanced and replaced to keep protecting the nation.	£530 million = initial estimated cost for the whole programme in 2015 £3.2 billion = total estimated cost for the whole programme in 2023	These laboratories include facilities where scientists work to identify, study and respond to the most dangerous pathogens in the world, including Ebola, Lassa fever, and more recently COVID-19. Failure of these sites would present a significant risk to public health.

Table 2: Education – areas of essential spending within the remit of the Department for Education

Government area	The problem	Key costs	Risk
School estate	Over 700,000 pupils are learning in a school that needs major rebuilding or refurbishment and 38% of school buildings are beyond their initial design life. This is the consequence of a deficit of long-term infrastructure planning by the Department for Education (DfE). DfE does not have a good enough understanding of safety risks, including asbestos and reinforced autoclaved aerated concrete (RAAC), across school buildings for it to fully quantify and mitigate them.	£5.3 billion = annual capital funding recommended by DfE in its 2020 Spending Review case, to maintain schools and mitigate the most serious risks of building failure £3.1 billion = average annual capital funding subsequently allocated by HM Treasury	DfE must do more to mitigate critical safety and value for money concerns, and then demonstrate that it has clear plans to address the scale of challenge and uncertainty it faces in the coming years.

Government area	The problem	Key costs	Risk
Special educational needs	Many of the 1.3 million school-age children in England who have special educational needs and disabilities (SEND) are not getting the support they need. This is a failure that damages their education, well-being and future life chances.	£9.4 billion = National Audit Office estimate of the Department for Education's funding to support pupils with SEND in 2018–19	Mainstream primary and secondary schools are struggling to meet the needs of pupils with SEND and to cope with those who have challenging behaviour despite 81.3% of local authorities overspending their high-needs budget in 2017–18. If the SEND system is not fixed then children and families will remain in the 'postcode lottery', not receiving the same quality of education as their peers.

Table 3: Defence – areas of essential spending within the remit of the Ministry of Defence

Government area	The problem	Key costs	Risk
Decommissioning nuclear submarines	The Ministry of Defence (MoD) has not decommissioned a single nuclear submarine since World War 2 despite removing 20 from service since 1980.	£96 million = estimated cost to the MoD of fully disposing of a submarine in 2019 £500 million = estimated total cost to the MoD of maintaining retired submarines from 1980 to 2017 £7,500 million = MoD's future liability for maintaining and disposing of submarines as at March 2018	The Department has repeatedly made decisions on short-term affordability grounds which have increased costs in the longer-term and led to poor value for money. The MoD now risks running out of both storage and maintenance space for submarines which is desperately needed for the current fleet of attack and deterrent submarines.

Government area	The problem	Key costs	Risk
Defence Equipment Plan	The 2023 – 2033 Equipment Plan is unaffordable. Since 2012 the Ministry of Defence (MoD) has published an annual Equipment Plan, setting out its intended investment in equipment and support projects over the next 10 years.	£16.9 billion = minimum gap between the money available and the cost of delivering the 2023–33 Plan, the gap would be larger to fully provide the capabilities set out in the updated Integrated Review £65.7 billion = cost increase from 2022–32 Plan to 2023–33 Plan £10.9 billion = cost increase due to inflation	The MoD has not had the discipline to balance its budget by making the difficult choices about which equipment programmes it can and cannot afford. The real deficit is even larger because some parts of the Armed Forces have not included costs for all the capabilities government expects the MoD to provide, but only those they can afford. If the capability is not delivered and decisions are pushed further into the future to ‘save’ money then costs and risk will increase over time. Delay is not an option.

Government area	The problem	Key costs	Risk
Nuclear Enterprise	Since 1969, the Ministry of Defence (MoD) has maintained a continuous submarine-based nuclear deterrent to support the government's national security policy. Over the next 10 years, it faces significant pressure to deliver the programme of equipment, infrastructure and trained people, known as the 'Defence Nuclear Enterprise', necessary to provide this continuous deterrent.	£117.8 billion = forecast cost by the MoD of DNE over the 10 years from 2023–24 to 2032–33 £109.8 billion = budget HM Treasury expects the MoD to spend £7.9 billion = deficit between the expected cost and the indicative budget	Without an effective nuclear deterrent the UK's national security would be compromised. The MoD must now overcome funding gaps, fill critical skill gaps and ensure its supply chain is maintained effectively – all at a time of significant uncertainty in international politics and trade.
Defence industrial base	Recent events, such as the war in Ukraine and Covid-19, have brought about a reassessment of how the Ministry of Defence (MoD) should manage its inventory (supplies and spares for immediate and potential use), away from prioritising efficiency to ensuring greater resilience. Ukraine and previous conflicts have also highlighted the importance of protecting support networks and agreeing with defence industries how to rapidly build manufacturing capacity for equipment.	£1.5 billion = value of inventory bought in 2022–23 £2.4 billion = planned investment by MoD to strengthen its supply chain	A robust and resilient supply chain is critical to support our Armed Forces and keep the nation safe. The MoD will need to work closely with industry to ensure resilience against sudden surges in demand or disruptions in its supply chain.

Table 4: Justice – areas of essential spending within the remit of the Ministry of Justice

Government area	The problem	Key costs	Risk
Court backlogs	Government consistently underestimates the scale and complexity of reforms. The backlog of cases in the Crown Court, which hears the most serious cases, was 59,928 in September 2021, an increase of 46% from March 2020. However, HM Courts & Tribunals Service (HMCTS) is behind in delivering critical reforms to modernise courts and tribunals.	£1.3 billion = estimated total cost of court reform programme in 2021 which did not include all work required £1.1 billion = amount HMCTS had spent by December 2022 on completing 24 of 44 reform projects	The right technology and working practices in the courts are vital to reducing backlogs and creating a more resilient justice system where citizens have access to justice. Without these court staff and taxpayers are facing the consequences.

Government area	The problem	Key costs	Risk
Prison buildings	The Ministry of Justice and HM Prison and Probation Service have failed in their attempts to improve the condition and suitability of the prison estate. 500 prison places are taken permanently out of action each year due to their poor condition. Despite promises to create 10,000 new-for-old prison places by 2020, just 206 new places had been delivered by January 2020, and prisoners continued to be held in unsafe, crowded conditions that do not meet their needs.	£900 million = maintenance backlog in 2019	Prisons play a crucial role in supporting prisoners to stay away from crime on their release and reduce the £18.1 billion cost to the economy of reoffending each year. The poor condition of many prisons, coupled with high levels of overcrowding, are contributing to dangerously high levels of violence and self-harm in prisons.

Table 5: Levelling up, housing and communities – areas of essential spending within the remit of the Department for Levelling Up, Housing and Communities

Government area	The problem	Key costs	Risk
Local government	Local authorities deliver services which local taxpayers rely on every day. Timely audits are key for financial planning, budgeting and management. However, only 12% of local government bodies received their audit opinions in time to publish accounts for 2021–22 within the already extended local authority accounts publication deadline.	£100 billion = approximate local government spending for local taxpayers and their elected representatives which are not transparent due to delays in local audit	Delays in the publication of audited accounts for local government bodies increase the risk of governance of financial issues being identified too late and hinders accountability. Council spending power funded by government fell by more than 50% between 2010–11 and 2020–21 and local authorities are under severe financial pressure. They need timely, accurate information to make value for money decisions for their local taxpayers.

Government area	The problem	Key costs	Risk
Housing	There are severe shortages of genuinely affordable housing in the places where they are needed. A lack of homes for social rent forces people to live in hostels or private accommodation in which they move around every few years; leading to children having to move school or travel long distances.	£20.7 billion = forecast total spend on the Affordable Homes Programme in 2021–22 prices	Government must invest now to build future-proof affordable housing which will not need to be retrofitted at taxpayers' expense in the future.

Table 6: Environment, food and rural affairs – areas of essential spending within the remit of the Department for Environment, Food & Rural Affairs

Government area	The problem	Key costs	Risk
Animal health centre, Weybridge	Animal diseases have major impacts on the UK food industry and trade, demonstrated by outbreaks of Foot and Mouth disease and, most recently, Avian Influenza and Bluetongue Virus. The main animal disease facility at Weybridge has been left by the Department for Environment, Food & Rural Affairs to deteriorate to an alarming extent, with ageing buildings that need major repair and replacement and a lack of capacity for scientific work.	£2.8 billion = estimated cost of the Weybridge redevelopment programme over 15 years £3 billion and £5 billion = estimated costs of the 2001 Foot and Mouth Disease outbreak for the public and private sectors in 2001 prices	The Weybridge redevelopment programme is high risk with a major redevelopment taking place on an important operational site. The risk of animal-sourced disease is real, and the consequences can be devastating. If the programme fails then the UK will have no capacity to react to new and emerging animal disease threats.

Table 7: Energy security and Net Zero – areas of essential spending within the remit of the Department for Energy Security and Net Zero

Government area	The problem	Key costs	Risk
Climate change	Creating the right environment for research and innovation to succeed is vital if the UK is to achieve net zero by 2050. Too often government's plans for supporting the progression of net zero technologies are short-term, putting at risk the large amounts of private investment needed to achieve net zero by 2050.	£4.2 billion = government's estimated planned spending in its Delivery Plan for net zero research and innovation 2022 to 2025 £46 - 69 billion = expected annual low-carbon investment needed until the 2030s to achieve net zero	A lack of long-term planning from government risks jeopardising the UK's legally-mandated pledge to achieve net zero carbon emissions by 2050. Government needs to set out its plans for supporting priority technologies beyond the confines of the spending review period so businesses know what support will be available.

Government area	The problem	Key costs	Risk
Decarbonising the power sector	Government has pledged to decarbonise the power sector by 2035 but it is highly unlikely to deliver on this timetable. The cost of building, maintaining and renewing the power system tends to fall to consumer energy bills rather than taxation. However, the Department for Energy Security and Net Zero (DESNZ) does not yet understand what this will ultimately mean for individuals and does not yet have an overarching plan for delivery.	£280 - 400 billion = public and private investment in new generating capacity needed by 2037 £18 billion = annual capital expenditure cost needed until 2035 estimated by the Climate Change Committee	With only 12 years left to hit its ambition, DESNZ has a lot to do if it is to achieve its ambition and do so at best value for money to bill payers and taxpayers, all while ensuring security of supply so that the lights stay on.

Government area	The problem	Key costs	Risk
Electric vehicle infrastructure	The Committee on Climate Change suggests a cost-effective path to net zero emissions by 2050 could involve electric vehicles making up 60–100% of new cars sold in 2030. However, there is uncertainty over where consumers will charge their electric vehicles in future and how changes will be funded.	£1.1 billion = amount spent by the Office for Zero Emission Vehicles on funding grants for ultra-low emission cars and related charging schemes between April 2010 and March 2020	In uncertain conditions, there is a risk that investment in new electric vehicle infrastructure will not keep pace with demand, delaying progress towards net zero. There is also an opposing risk that new network infrastructure will be built in anticipation of demand which does not materialise, leaving consumers and taxpayers paying for under-used assets.

Table 8: Cross-government – areas of essential spending across all government departments

Government area	The problem	Key costs	Risk
Skills	Government has severe shortages of skills in many sectors including digital, cybersecurity, nuclear, engineering, construction and public audit. A lack of specialist skills affects both the efficiency and effectiveness of government projects.	£980 million = estimated cost of management consultant fees to fill the skills gaps across government in 2018/19	Many projects and programmes across government are afflicted by delays, inefficiencies and budgetary overruns, often due to a lack of specialist skills amongst officials. The lack of skills must be addressed otherwise there will be huge risks to delivery of major capital projects.

Government area	The problem	Key costs	Risk
Replacing legacy IT systems	Across government, outdated IT systems and its ageing data are a key source of inefficiency and a major constraint to improving and modernising government services. Many of these 'legacy' systems were built several decades ago and are now costly to run and risky.	£11.7 billion = cost to update and replace the Ministry of Defence's legacy IT systems in 2019 £726 million = estimated amount to be spent on modernising legacy services by Defra between 2021 and 2025	Failure to modernise legacy systems exposes organisations to possible service disruption, operational failure and cyber-attacks. The increasing costs of maintaining legacy systems and loss of associated specialist skills is unsustainable in the long term. Government must make long-term investment to improve and modernise its systems to deliver the best possible service to taxpayers.