PACAC (Public Administration and Constitutional Affairs Committee)
House of Commons · London SW1A 0AA
Tel 020 7219 3268 Email pacac@parliament.uk Website www.parliament.uk/pacac

The National Audit Office
By email

24th March 2020

Dear Gareth,

Thank you for your understanding when the Committee decided to cancel this week's public evidence session due to the Coronavirus pandemic. To allow our inquiries to progress, I would be grateful if you could provide evidence in writing by answering some of the questions, we would have raised with you in person.

Accounting for democracy

As you are aware HM Treasury published the Government Financial Reporting review in April 2019 in response to the previous PACAC's inquiries into the transparency and usability of annual reports and accounts. The review accepted a number of recommendations from PACAC's inquiries.

1. How did you consider the results of the HMT review in your recent strategic review?
2. What practical things will the NAO do differently on forthcoming audits to reflect the findings of the HMT review?
3. Specifically, how have you changed your approach to ensure that ARA meet the Committee's purposes of financial reporting that are now included in the FrEM?
4. What is the NAO's role in assuring the performance information in ARA that enables scrutiny of value for money?

Major projects

As you are aware, the Committee has launched an inquiry into the Government's management of its major projects. Would you be able to draft a short submission based on previous NAO work, and with reference to the terms of reference available on the website? Specifically could you provide following information:

1. A summary of key issues raised by recent NAO reports on major projects (i.e. why do so many fail?) (ToR Q2 - 5);
2. An overview of the sorts of information you feel should be reported by the departments/ALBs through their ARA on their major projects (ToR Q6);
3. Any specific examples of good practice in project management that you are aware of (ToR Q5); and
4. What changes you feel would be necessary (if any) to the Treasury Green Book to enable wider infrastructure investment in line with the Government's budget.

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Please submit your evidence before the deadline of 24th April 2020. Staff in the Committee Office can assist with this if required.

The Government estate strategy

As you will be aware the Government has a wide-ranging estate strategy, which the Committee raised with Sir John Manzoni at our recent evidence session. The Committee would be interested in your view on the ambitions of the strategy, specifically:

1. What progress is being made with the strategy?
2. Your Departmental Overview describes the strategy as "ambitious". From the NAO's previous work, what are the main risks within this sort of very ambitious strategy?

I would be grateful for an initial response to this letter by 6th April, and a submission to the major projects inquiry in line with the deadline for evidence (24th April). Thank you in advance for your help with answering these questions.

William Wragg MP
Chair, Public Administration and Constitutional Affairs Committee
(approved by the Chair remotely)

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William Wragg MP
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Date 6 April 2020

Dear Mr Wragg

INTERIM RESPONSE TO PACAC CHAIR

Many thanks for your letter of 24 March. In this letter, I will provide an interim response with respect to your questions about the government estate strategy. I will, if I may, write to you more fully by 24 April, in relation to your queries about major projects and accounting for democracy.

The government estate strategy

1. What progress is being made with the strategy?
We have not formally assessed the achievability of the programme since 2017, when we published our report Progress on the government estate strategy in April 2017[1].

The report concluded that government is getting better value for money from its estate. However, it also concluded that the Government Property Unit (GPU) had not (at that time) yet made much progress towards its objective of creating a shared, flexible and integrated estate.

- The government's central estate includes some 4,600 individual holdings, costing around £2.55 billion a year to run. The GPU, which is part of the Cabinet Office, was set up in 2010 to better co-ordinate estate management in the public sector.

- Since the NAO's last report in 2012, departments have continued to make good progress in reducing the overall size of the central estate. They have also reduced overall estate spending and pay less for office accommodation than private sector comparators. Departments report they have reduced their annual estate costs by £775 million in real terms since 2011-12 to around £2.55 billion in 2015-16. Between 2011-12 and 2015-16, departments raised £2.5 billion by selling surplus land and properties. The GPU is also starting to have an impact on the wider public estate.

- The GPU has taken steps to improve its own capability but has a shortage of property and project management experts. The GPU's skills and resources are stretched, its increased workload has not been matched by increased staffing and planned work has not been done.

- The GPU is relying on its Hubs programme and the New Property Model to form a shared, flexible and integrated estate, but both these programmes are still at an early stage. Although both have

[1] Progress on the government estate strategy, National Audit Office, 25 April 2017. Link

some merit, the Cabinet Office has not made a strong case for either. It is yet to achieve the strong commitment needed from most departments to make them work.

- The NAO finds that the Hubs programme has the potential to be a catalyst for transformation in departments, but the wider benefits and costs have not been fully evaluated. Most of the financial benefits arise from moving staff out of London and some local hubs may cost more than departments' existing locations.

- The Cabinet Office faces challenges in ensuring that the Hubs programme meets departments' needs. Some departments have not committed to either Hubs or centralised ownership. The GPU is relying on departments to manage the difficulties associated with relocating staff to hubs. It can be difficult to find suitable buildings and negotiate leases in the right timescale, and there is likely to be local opposition to some office closures.

2. Your Departmental Overview describes the strategy as "ambitious". From the NAO's previous work, what are the main risks within this sort of very ambitious strategy?

Our previous work highlights that many government departments are aiming to reduce the size and running costs of their estates whilst looking to increase overall efficiency. We have identified several, common risks:

- Weak stakeholder engagement limiting cooperation and buy-in by central and local government, users and the private sector. Early engagement is critical to delivery;[2]
- Poor programme management meaning benefits may not be realised. We look for, but don't always find, clear roles, responsibilities and governance arrangements, robust risk management processes and sufficient staff with the required skills and capabilities. Mechanisms to learn lessons and identify good practice, e.g. from pilots, are not always in place;[3]
- Poor data and management information. Though essential for efficient estates management, previous reports identify a lack of consistency, reliability and engagement in obtaining regular, detailed information on costs and usage of individual buildings and building types;
- Inadequate forecasting information leading to ill-informed decisions on closures. Accurate and up-to-date forecasts on user demand for services are essential for efficient estates management and planning; [4]
- Optimism bias in cost forecasting;[5]
- Decisions not taken against a clear target or in response to changing needs;[6] and
- An absence of monitoring processes on expected benefits including regular reporting to sustain a focus on the long-term strategy and enable Parliament to monitor progress.[7]

Estates: Additional NAO back catalogue and analysis

- **Improving the efficiency of central government office property (Mar 2012):** Assessed government progress in how it uses its office estate. Examines GPU support to Departments to further improve the

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[2] Shared service centres, National Audit Office, 20 May 2016. Link

[3] Progress on the government estate strategy, National Audit Office, 25 April 2017. Link

[4] Managing the HMRC Estate, National Audit Office, 10 January 2017. Link

[5] Ibid.

[6] Managing the BBC's estate, National Audit Office, 21 January 2015. Link

[7] Delivering the defence estate, National Audit Office, 15 November 2015. Link

efficiency of the office estate. Link

- **Managing the prison estate (Dec 2013):** Examined whether the prison estate strategy was likely to improve the value for money of holding all prisoners remanded and sentenced. Link

- **Investigation into NHS Property Services Limited (Mar 2014):**

- **Managing the BBC's estate (Jan 2015):** Examined whether the BBC is using its restructured estate efficiently, whilst minimising cost and maintaining the flexibility to adapt to future needs. Link

- **Delivering the Defence estate (Nov 2016):** Assessed whether MOD is now in a good position to manage its estate, and whether it has addressed the barriers identified in previous reports. The Ministry of Defence is undertaking its own estate management programme. Link

- **Progress on the government's estate strategy (April 2017):** Examined government progress in reducing its estate since 2012, and how well placed is GPU to improve value for money across the Hubs and New Property Model programmes. Link

- **Managing HMRC's estate (Jan 2017):** Examined whether HMRC is well placed to deliver its new estates model to meet its changing operational needs. HMRC is most advanced in terms of its move into regional centres. Link

- **Investigation into property services (May 2019)** Provided an update to our 2014 investigation (link) which covered the cash flow difficulties experienced by the property company due to the non-payment of bills by disputing tenants. The 2019 report found that the framework for charging for NHS property is not working effectively**.** Link

- **Investigation into the government's land disposal strategy and programmes (May 2019)** Looked at the government's two main land disposal targets: proceeds; and land for new homes. The investigation covered the rationale, objectives and strategy for selling public land; progress on the land disposals for new homes programme; and progress on the £5 billion proceeds programme, and the use of proceeds. Link

- **Transforming the Courts and Tribunals: a progress update (September 2019)** Examined the progress of Her Majesty's Courts and Tribunals Service, following the second stage of its reform programme, which ended in January 2019. The NAO provided an update on the progress made, and took a closer look at the estates reform programme, which aims to reduce the size of the court estate. Link

- **Improving the Prison Estate (February 2020)** Examined whether HMPPS (Her Majesty's Prison and Probation Service) has long-term, deliverable strategy that will provide a prison estate that is fit for purpose. Link

I hope that this response is useful to you and the Committee. I will be in touch more fully on or before 24 April. In the meantime, if there is anything you wish to discuss, please do not hesitate to get in touch.

Yours sincerely,

Gareth Davies

GARETH DAVIES