



House of Commons

Committee of Public Accounts

Departmental Business Planning

Thirty-seventh Report of Session
2010–12

*Report, together with formal minutes, and oral
evidence*

*Ordered by the House of Commons
to be printed 11 May 2011*

HC 650

Published on 24 May 2011
by authority of the House of Commons
London: The Stationery Office Limited
£13.50

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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The following member was also a member of the committee during the parliament:

Eric Joyce (*Labour, Falkirk*)

Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at www.parliament.uk/pac. A list of Reports of the Committee in the present Parliament is at the back of this volume.

Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee is Philip Aylett (Clerk), Lori Verwaerde (Senior Committee Assistant), Ian Blair and Michelle Garratty (Committee Assistants) and Alex Paterson (Media Officer).

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Summary

The Spending Review 2010 set out the Government's policy and financial priorities, and a spending framework requiring significant cuts to most Departmental budgets. Subsequently, the Government published 17 Departmental Business Plans which focus on the priorities set out in the Coalition Agreement and are designed to provide a basis for accountability for delivery of those actions. The Plans do not cover all Departmental responsibilities or spending and must be supported by more detailed planning across all budgets within Departments.

The Business Plans provide detailed coverage and accountability for implementation of the Coalition Programme. The plans set out a policy intention to shift power from central government to local communities and locally based public, private and voluntary bodies. The Government wants to empower local people and embed local accountability by making more data more freely available so that people can assess value for money and services providers can be accountable. However, the planning to support the implementation of the reforms and new models of service delivery is at different stages in different Departments, with much of the detail under development or not yet in the public domain.

The Business Plans also contain key indicators of input and impact which the Government intends should provide high level accountability to Parliament and others for overall Departmental performance. The Plans will also be a source of information for Parliament as they underpin the allocation of resources within Departments and the subsequent accountability for the use of those resources. The management of the full range of Departmental activity, however, will require more detailed operational planning and information.

The Committee took evidence from officials from the Cabinet Office and the Treasury; and from two line Departments - the Department of Business, Innovation and Skills and the Home Office. We also heard evidence from the Minister of State for the Cabinet and the Chief Secretary, HM Treasury who explained the political rationale for the Plans and the structural reforms. We examined the business planning process as a basis for managing reform, for reducing costs, and for Departmental strategic management and accountability. This report identifies a number of important areas that Departments should consider, that will aid them to: clarify accountability; support cost-effective implementation of Government policies; and secure effective performance management.

Conclusions and recommendations

1. The Business Plans set out the actions which the Coalition Government will take to achieve the priorities in the Coalition Agreement, although Departments are still working on the detail of implementation. The Business Plans do not, and are not designed to, cover the range of each Department's activities and spending and must therefore be supported by further planning to cover all areas of activity with the Department's remit.
2. The Committee's role is to hold the Government to account for the stewardship of all public funds and assets and the achievement of propriety and value for money in Government spending. Our remit covers both the Coalition Agreement programme and the business-as-usual operations, and we expect sufficient information to enable us to hold Departments to account on costs, outcomes, and value for money on both the Coalition agreement and across all of a Department's work.
3. This report draws on the experience of this Committee over many years. While different governments may adopt different approaches to business planning there are some essential elements which ensure effective accountability and good value for money which are set out below:
4. The ability to secure **effective accountability for departmental expenditure** depends on:
 - Being clear and precise about objectives;
 - Establishing monitoring arrangements which align costs and results for all significant areas of Departmental activity and spending;
 - Providing reliable, timely, accessible data to support that monitoring;
 - Establishing robust processes for assessing assurance on propriety and value for services that are delivered locally; and
 - Putting in place mechanisms to deal with failure and continuity of services where appropriate.
5. Both innovation and good design are important for good value for money. But our experience has been that **high quality management of implementation** is equally important. In the context of substantial cuts in Departmental budgets, combined with structural reforms, that highlights the need for:
 - A robust assessment of the capability of Departments to deliver the reforms, and effective plans to deal with any gaps in skills, systems or relationships;
 - Strong governance arrangements to identify and manage risks, and secure effective partnership working, across Government and beyond Government;
 - Accurate costing of the transitional costs of reform and restructuring, to check on affordability and the impact of reform on service delivery budgets;

- Monitoring arrangements to ensure that a reform in one area does not lead to increased expenditure in another and thus damage the value for money of the reform proposal;
 - Systems to track the benefits of reform and to ensure they are both sustainable and cost-effective and that they properly meet the policy intent set; and
 - All reform programmes to be sufficiently flexible to respond to changed circumstances and unexpected pressures. That is crucial for ensuring continued value for money.
6. Whatever the delivery model appropriate controls and incentives must be in place to secure **effective performance management**. Key factors to address include:
- The qualification and capabilities of those charged with implementing the reforms;
 - Clear definitions of outcomes and standards, rigorous timelines and appropriate strategies to intervene when expectations are not met;
 - Effective incentives and sanctions to influence and drive performance;
 - Appropriate standardisation of relevant data and indicators to permit performance comparison, for local and central use; and
 - Regular reviews to test, assess and review whether the reforms are delivering intended outcomes.
 - Arrangements to secure evaluation to understand what works and to secure changes if these are necessary.

1 Accountability

1. In November 2010, each Department across Whitehall produced a Business Plan which set out the priorities of the Coalition Government for the Spending Review period 2011-2015. These Plans are tools which set out the commitments of the coalition and the associated reforms.¹ Ministers will use the Plans as a way of monitoring Departments' progress with the Coalition programme and the Government expects that they will also be used by Parliament and the public to judge the implementation of the reforms.² These plans do not cover the totality of public spending; nor do they cover all activities undertaken by Government Departments. They therefore form only a part of the landscape which will enable us to assess the value for money of the Government's work.

2. The Government have set out these reforms based on three broad principles: taking power away from Whitehall and putting it in the hands of local communities; taking a long-term approach to reform to encourage sustainable high-quality services; and improving the transparency of Government actions so that voters can assess progress and press for further changes, rather than using centrally-set targets as a basis for plans and accountability. The published Departmental Business Plans and the associated business planning by Departments take into account these principles.³

3. The published Plans adopt a common structure, with sections on vision, priorities, structural reforms, expenditure and transparency.⁴ They set out the rationale underpinning reforms and the actions proposed to implement them with these being brigaded under each of the stated priorities. The structural reform sections make up the largest part of most Plans: overall the 17 Plans set out over 1,200 reform actions, and over 600 milestones by which to judge progress.⁵ The Plans set out detailed actions and provide a basis from which to assess Departmental implementation of reforms.

1 Q57, Q91, Q96, Q116

2 Q96, Q98, Q119

3 Q2, Q52,

4 Departmental Business Plans, <http://transparency.number10.gov.uk/transparency/srp/>

5 NAO analysis of Business Plans, <http://transparency.number10.gov.uk/transparency/srp/>

Figure 1. Example of how priorities and actions are described in the Business Plans⁶

<i>Home Office Priority 2. Free up the police to fight crime more effectively and efficiently</i>	<i>Start</i>	<i>End</i>
2.4 Improve the efficiency of local policing		
i. Develop plans to extend the collaboration between police forces and reform police procurement, finding efficiencies by sharing functions at national level	Started	Nov 2010
ii As part of a full review of the remuneration and conditions of service for police officers and staff, the first part will make recommendations on short-term improvements to the service	Started	Feb 2011
iii. Further to the initial report on remuneration and conditions of service, continue the review and make recommendations on matters of longer term reform	Feb 2011	Jun 2011
2.5 Simplify and improve anti-social behaviour powers so that the police, local authorities and others have powers and tools that are effective and easy to use and provide a real deterrent		
i. Develop proposals for a new, simplified set of anti-social behaviour powers and tools	Overdue	
ii. Consult on proposals for anti-social behaviour powers and tools	Jan 2011	Apr 2011
iii. Analyse consultation responses and prepare for legislation	May 2011	Dec 2011
iv. Introduce legislation to simplify and improve new anti-social behaviour powers and tools	Spring 2012	Spring 2012

4. The choice of actions, their interrelationship, or the scale of their contribution to Departmental priorities are not clear from the Plans, shown in the example on policing. Here the actions relate to the overarching priority – to fight crime more efficiently and effectively - but it is not clear how these actions will contribute to greater efficiency or effectiveness. In addition the assumptions about the potential for improvement, or the rationale for choice of actions, should be more clearly stated. Without further clarification it will be difficult to judge the significance of any lack of progress in individual actions for the Plan as a whole.⁷

5. While the Plans articulate policy goals, there is little description of the expected benefits from reform actions.⁸ We were assured that the Business Plans would have baseline data added to them in April 2011 to help judge the overall impact of the reforms.⁹ Witnesses indicated that many of the reforms represented policy decisions, which they took as the starting point for their planning, rather than the output from that planning.¹⁰

6. The Business Plans contained little detail, at the time of our hearings, on resource allocation. The Cabinet Office and Ministers said that Departments would publish programme costing by April 2011, but the Departmental witnesses were not clear what

6 Home Office Business Plan, <http://transparency.number10.gov.uk/transparency/srp/>

7 Q117-119

8 Q48-49, Q117-119

9 Q94

10 Q2-4

level of detail would be possible, or the extent to which costs could be apportioned to the Coalition Agreement programme.¹¹

7. Ministers explained the role that local people will play in holding Government to account – in terms of making choices over the services they receive and challenging poor performance.¹² Clearly if this is to work, the information needs to be relevant, accessible and easily understood - more work is required to achieve this.¹³ Ministers said accountability would be served through the provision of detailed information on outcomes but recognised that minimum standards would need to be established for some services.¹⁴ Witnesses said they were consulting on how to address significant failures in key public services to ensure that services were not disrupted.¹⁵

11 Q23, Q94

12 Q153

13 Q190 -196

14 Q190-194

15 Q 163 165

2 Implementing the plans

8. Successful change management requires appropriate skills among those charged with managing the change, a clear understanding of the starting point and the goals to be achieved, a strong evidence base, relevant and timely information, a good grip of costs and benefits to support prioritisation, consideration of the human resource implication of change, and a focus on “benefit realisation”.¹⁶

9. The Committee identified areas where it was not clear if the reform activities had been costed and whether the reforms are affordable or can be delivered within the resources allocated to Departments.¹⁷ In circumstances where closures, redundancies, contract renegotiations and new business model start-ups are all likely to impose additional short-term costs, affordability is a real concern.

10. Many of the milestones in the Plans relate to the delivery of strategies, consultations or legislation. Milestones such as these, however, are not of themselves evidence of action implementing change.¹⁸ As such, it may be possible to meet some milestones without there being substantive progress. Accountability would be improved if they were specified to timetable actions achieved as well as policies published.¹⁹ Ministers explained that they are managing the milestones dynamically but at the same time flexibly to make sure that adjustments can be made so the intended objectives are being achieved.²⁰

11. The reforms will have to be implemented by a shrinking public sector workforce, with similarly pressured private and third sector partners. Witnesses acknowledged that low morale and difficulties in managing staff retention are issues.²¹ The Committee asked whether Departments had the appropriate human and motivational skills to deliver the reform plans. The Cabinet Office told us that this was a potential weakness in some Departments.²² Witnesses also referred to the need for new skills in Government to ensure leaders are better at managing people and change.²³ The Cabinet Office is helping Department learn from “best experience and best practice” in managing change and new permanent secretaries are being mentored by more experienced civil servants.²⁴

12. The Plans indicate activities to be cut, but the details vary from specific actions, such as the Department for Business, Innovation and Skills no longer determining the structure of regional development from Whitehall, through Regional Development Agencies²⁵, to

16 Q88, National Audit Office, 2010, *Guide to Structured Cost Reduction*

17 Q20-25, Q69

18 Q117

19 Q119

20 Q139-140

21 Q90

22 Q88

23 Q89

24 Q88 and Q90

25 Page 5, Department of Business, Innovation and Skills Business Plan
<http://transparency.number10.gov.uk/transparency/srp/>

vaguer statements, such as the Home Office no longer imposing unnecessary bureaucracy on local partners.²⁶ The Government has referred to cross-cutting work ranking proposed capital projects based on the results of cost-benefit analyses, but there are no similar references to cross cutting work on programme spend.²⁷ There are no cost-benefit metrics quoted for programmes or business models – either in absolute terms or relative to previous models.²⁸

13. Cuts to budgets bring risks of unintended effects which transfer costs between Departments. For example, cuts in education could have knock-on effects in poorer health or increased crime; and cuts in training could hinder growth prospects, and reduce the tax take. Only occasionally do the plans recognise such linkages by reference to joint working.²⁹ Witnesses, however, referred to work during the Spending Review designed to identify and mitigate any perverse effects, and the significance of the design of mechanisms, particularly locally-managed mechanisms such as payment by results, to focus accurately on desired outcomes.³⁰ They also referred to a forthcoming public sector reform White Paper which would set out how the various different approaches and mechanisms could work coherently.³¹

14. The Committee noted that in putting together more detailed plans to implement the reforms Departments will need to address a number of areas:

- the governance arrangements for how Departments and third parties will work together to deliver objectives;³²
- the responsibilities and accountability for delivering priorities;³³ and
- how risks will be managed – a weakness from previous published plans. Witnesses referred to formal risk management processes within Departments, and across Government, designed to identify and manage key risks at a variety of levels.³⁴
- risks relating to the introduction of new business models. Some Plans provide for piloting of new business models, but there is little reference to evaluation of the success (or otherwise) of the pilots.³⁵

26 Page 5, Home Office Business Plan, <http://transparency.number10.gov.uk/transparency/srp/>

27 Q183-188

28 Departmental Business Plans, <http://transparency.number10.gov.uk/transparency/srp/>

29 Q197-199

30 Q197

31 Q97-100

32 Q50

33 Q85,86

34 Q101

35 Departmental Business Plans, <http://transparency.number10.gov.uk/transparency/srp/>

3 Performance management and value for money

15. Government Departments are large entities spending large sums of public money, making strategic planning an essential tool for securing coherent, cost-effective implementation of policy. Strategic planning needs to cover the whole of a Department's business, its objectives, the prioritisation and deployment of resources, the governance arrangements, risk management and monitoring of progress. Assessing value for money needs precise performance objectives, and an alignment of activity, cost and results information. Without such alignment we will not be able to analyse value for money or frame fair comparisons.

16. The Business Plans give a clear sense of the Coalition policy priorities, but progress would be easier to assess if they were bolstered with a sense of the scale or quality of service delivery the Government expects, or of the scale of associated impacts. Witnesses explained that the Government did not intend to set outcome objectives, and that outputs would often be for local communities to prioritise, depending on the context and nature of the business model in question.³⁶ They were working to create the right incentives to deliver the objectives.³⁷ Cost-effective incentivisation depends on identifying appropriate indicators and ensuring good information on the motivations of key stakeholders, and good modelling of the implications of different incentive arrangements and levels.

17. The Plans contain standardised back-office indicators to help compare Government Departments and to facilitate improvements in efficiency.³⁸ The Plans also contain input indicators, some 60% of which give a sense of unit costs - a welcome emphasis on programme economy and efficiency.³⁹

18. Witnesses told us that a broader range of indicators was needed to manage Departments than those set out in the Business Plans and that they were in the process of producing more detailed operational plans, incorporating plans for their main operating units, such as Agencies or executive NDPBs.⁴⁰ The Committee asked whether the detailed plans would be published and witnesses indicated that they would normally publish Agency plans, and would look to disclose as much of Departmental planning as possible.⁴¹

19. On the reporting of progress, the Cabinet Office have committed to publishing a Departmental Scorecard which will capture all the data from the Business Plans across Government.⁴² The data is intended to form part of "departmental machinery and part of the accountability structure" for departments.⁴³ The Business Plans align reform activities

36 Q2,Q3, Q44-45, Q118-119

37 Q98, Q100

38 Q16

39 Q96, Departmental Business Plans, <http://transparency.number10.gov.uk/transparency/srp/>

40 Q151

41 Q5-6, Q60

42 Q44-45

43 Q44

with priorities, but do not maintain that structure when setting out input and impact indicators. Not all priorities have an impact or input indicator and not all impact indicators align with the priorities.⁴⁴ That lack of alignment means that reported progress will cover only a proportion of priorities and of expenditure, which will hinder comprehensive assessment of value for money.⁴⁵

20. The Plans also set out commitments to make a broader range of cost, activity and progress data available to the public. Witnesses referred to the “unprecedented” levels of data to be made available, and to the data management challenges that would present. We noted the practical difficulties that individual Members had faced in extracting information from Government databases.⁴⁶

21. Parliament and the public need to understand the quality and limitations of data the Government makes available if they are to use it effectively to challenge and improve public services. Current Government policy is to make data available, regardless of its quality and there are no clear requirements for Departments in the Business plans to define key terms, assess and manage risks to data quality, disclose measurement approaches and limitations, or secure assurance that data standards have been met.⁴⁷

22. Witnesses referred to a desire to cut data burdens.⁴⁸ They also endorsed a degree of standardisation to be applied to local service delivery, to help citizens compare their services with those elsewhere.⁴⁹ Enhancing local accountability will depend on ensuring sufficient flows of relevant, robust and timely information being made available.⁵⁰

23. The Committee asked whether Departments would have the right information to evaluate whether benefits are being achieved and to identify any unintended consequences of delivering priorities.⁵¹ Such routine evaluation is important to address shortcomings and promote learning. The Committee also asked how Departments would make sure that the public get the data that they want and be confident in the data provided.⁵² Departments responded that they are data rich but often do not have the right management information to manage risks and help achieve objectives.⁵³ Ministerial witnesses had been surprised to find that there was little good quality information in Whitehall in many areas, citing as an example the lack of a comprehensive database on regulations.⁵⁴ Without such an overview it is difficult to secure sufficient scrutiny to make sure that priorities are on track to be delivered.

44 Q47-49, Q138-139

45 Q131

46 Q63

47 Q81-84

48 Q65, Q153

49 Q15, Q71-75

50 Q161, Q191-195

51 Q97

52 Q44

53 Q18, Q62

54 Q142

Formal Minutes

Wednesday 11 May 2011

Rt Hon Margaret Hodge, in the Chair

Mr Stephen Barclay
Dr. Stella Creasy
Matthew Hancock
Jo Johnson

Mrs Anne McGuire
Austin Mitchell
Nick Smith
Ian Swales

Draft Report (*Departmental Business Planning*) proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 23 read and agreed to.

Conclusions and recommendations 1 to 6 read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Thirty-seventh Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Witnesses

Tuesday 30 November 2010

Page

Martin Donnelly, Permanent Secretary, Department for Business, Innovation and Skills, **Sir David Normington KCB**, Permanent Secretary, Home Office, **Ray Shostak**, Director General, Performance Management, HM Treasury, **Ian Watmore**, Chief Operating Officer, Efficiency and Reform Group, Cabinet Office, and **Kris Murrin, Director**, Implementation Unit, Downing Street

Ev 1

Wednesday 9 February 2011

Rt. Hon. Oliver Letwin MP, Minister of State, Cabinet Office, and **Rt. Hon. Danny Alexander MP**, Chief Secretary to the Treasury, HM Treasury

Ev 19

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2010–12

First Report	Support to incapacity benefits claimants through Pathways to Work	HC 404
Second Report	Delivering Multi-Role Tanker Aircraft Capability	HC 425
Third Report	Tackling inequalities in life expectancy in areas with the worst health and deprivation	HC 470
Fourth Report	Progress with VFM savings and lessons for cost reduction programmes	HC 440
Fifth Report	Increasing Passenger Rail Capacity	HC 471
Sixth Report	Cafcass's response to increased demand for its services	HC 439
Seventh Report	Funding the development of renewable energy technologies	HC 538
Eighth Report	Customer First Programme: Delivery of Student Finance	HC 424
Ninth Report	Financing PFI projects in the credit crisis and the Treasury's response	HC 553
Tenth Report	Managing the defence budget and estate	HC 503
Eleventh Report	Community Care Grant	HC 573
Twelfth Report	Central government's use of consultants and interims	HC 610
Thirteenth Report	Department for International Development's bilateral support to primary education	HC 594
Fourteenth Report	PFI in Housing and Hospitals	HC 631
Fifteenth Report	Educating the next generation of scientists	HC 632
Sixteenth Report	Ministry of Justice Financial Management	HC 574
Seventeenth Report	The Academies Programme	HC 552
Eighteenth Report	HM Revenue and Customs' 2009-10 Accounts	HC 502
Nineteenth Report	M25 Private Finance Contract	HC 651
Twentieth Report	Ofcom: the effectiveness of converged regulation	HC 688
Twenty-First Report	The youth justice system in England and Wales: reducing offending by young people	HC 721
Twenty-second Report	Excess Votes 2009-10	HC 801
Twenty-third Report	The Major Projects Report 2010	HC 687

Twenty-fourth Report	Delivering the Cancer Reform Strategy	HC 667
Twenty-fifth Report	Reducing errors in the benefit system	HC 668
Twenty-sixth Report	Management of NHS hospital productivity	HC 741
Twenty-seventh Report	HM Revenue and Customs: Managing civil tax investigations	HC 765
Twenty-eighth Report	Accountability for Public Money	HC 740
Twenty-ninth Report	The BBC's management of its Digital Media Initiative	HC 808
Thirtieth Report	Management of the Typhoon project	HC 860
Thirty-first Report	HM Treasury: The Asset Protection Scheme	HC 785
Thirty-second Report	Maintaining financial stability of UK banks: update on the support schemes	HC 973
Thirty-third Report	National Health Service Landscape Review	HC 764
Thirty-fourth Report	Immigration: the Points Based System – Work Routes	HC 913
Thirty-fifth Report	The procurement of consumables by National Health Service acute and Foundation Trusts	HC 875
Thirty-seventh Report	Departmental Business Planning	HC 650

Oral evidence

Taken before the Committee of Public Accounts on Tuesday 30 November 2010

Members present:

Rt Hon Margaret Hodge (Chair)

Mr Richard Bacon
Stephen Barclay
Stella Creasy
Matthew Hancock

Joseph Johnson
Mrs Anne McGuire
Nick Smith
James Wharton

Amyas Morse, Comptroller and Auditor General, gave evidence. **Michael Whitehouse**, Chief Operating Officer, **Nick Sloan**, Director, and **Marius Gallaher**, Alternate Treasury Officer of Accounts, were in attendance.

Examination of Witnesses

Witnesses: **Martin Donnelly**, Permanent Secretary, Department for Business, Innovation and Skills, **Sir David Normington KCB**, Permanent Secretary, Home Office, **Ray Shostak**, Director General, Performance Management, HM Treasury, **Ian Watmore**, Chief Operating Officer, Efficiency and Reform Group, Cabinet Office, and **Kris Murrin**, Director, Implementation Unit, Downing Street, gave evidence.

Q1 Chair: May I welcome you all? In particular, I welcome Martin Donnelly, as this is the first time that you've appeared; congratulations, we are pleased to see you. I hope this is not the last time that you are appearing, David?

Sir David Normington KCB: Well, I rather hope it is. *[Laughter.]* I've only got three more weeks.

Q2 Chair: There is also Kris Murrin, whom we have not seen before, and Ray Shostak, who has not seen the new Committee before. We welcome you all.

This is not an interrogation. This is not at all us trying to catch you out. What we are trying to do at the beginning of the comprehensive spending review is really understand how the Government are going to move from their intentions, as described both in their manifesto and in the comprehensive spending review, to an implementation and a delivery plan. So this is really about you helping us to understand, so that as we then do the work over the coming years, we can do it on the basis of how you intend to work.

We have a lot of people here today—and you are going to do much more of the talking, I hope, than we are. But what we tried to draw together were the people from the centre—Ray from the Treasury and Kris from No. 10, who we think are the sort of corporate planning representatives. Then we have two of the key implementers—David Normington, who has had a very successful career, all over the place but most recently at the Home Office, and Martin Donnelly, who is starting. We thought that would be quite an interesting combination. Then there's Ian, who is working across government trying to eke out efficiencies. So you have different roles, and this is about how we can draw all that together. We have got the two business plans—the Home Office business plan and the BIS Business Plan—but we could have taken any, so they are really examples rather than specifics.

Perhaps we can just start by asking first of all what we call the corporate planners—Kris and Ray—in three to five minutes to say to us why we are doing this, what you see as the purpose and how you see the process developing. Just literally do it as quickly as you can and then we will move to the others, and then open the debate. Is that all right? I do not know if you were warned that that might be the process which we would be undertaking. That is how we are going to do it. Between you, from your point of view, why have we got them and how are they going to evolve over time? Do you want to start, Ray, and then Kris can come in?

Ray Shostak: Sure. Thank you very much. I thought I would do three things. First, I want very briefly to outline some of the principles behind the business plans in the new framework. Secondly, I want to outline the process of how we develop them with Departments. Thirdly, I want to say a bit about how we are looking to hold Departments to account with you.

First, on the underlying principles, there are two big issues in respect of the new approach by the coalition. The first is a move which is about taking power away from Whitehall and putting it in the hands of people in communities—so it is actually moving that responsibility and sharing it more broadly. The second issue is taking a longer-term approach rather than a short-term approach in the development and the reform of public services and decision making, in order to be able to ensure that we end up with sustainable growth and high-quality services for people. The business plans are a different way of doing business and at the heart of that different way is the issue of transparency—hence it is the transparency framework. The process replaces, as you know, the previous public service agreements and basically it looks to replace the cascaded targets in terms of the direction of the previous Administration with transparency as regards making information available to you, to Departments and to the public at large, so

**30 November 2010 Department of Business, Innovation and Skills, Home Office,
HM Treasury, Cabinet Office and Downing Street**

that that information, that transparency, can drive development. Instead of the annual reporting under the old PSA regime, Departments will publish simple reports—they will feature on their own websites and the Downing street website—of progress against meeting their commitments. As I say, the data outlined in the transparency section of the plans will be available.

Now, what was the process by which we got to them? It was a joint process, a collaborative process, between the centre of government and Departments. The plans were developed over the course of the summer. The structural reform elements were published in draft in July and the final versions that were published in November reflected the comments of the public at large and others during that time. Essentially there were three parties: the Treasury officials, who ensured that the plans aligned with the spending review settlement and worked on indicators, were very helpfully assisted by your officials in ensuring that the indicators were robust and consistent as a piece. The Minister responsible for Government policy in No. 10 ensured that the structural reform elements reflected the coalition's programme for Government and ERG worked with Departments to ensure that the transparency sections of the plans actually reflected the coalition's ambitions.

The plans were signed off by the permanent secretary and the Secretary of State, and ultimately signed off by the quadrilateral group—the Prime Minister, the Deputy Prime Minister, the Chancellor and the Chief Secretary. There was very close joint working, particularly between the Minister responsible for Government policy, who I gather is coming to see the Committee, and Danny Alexander on behalf of Treasury, in taking the agenda forward. It is important to just signal that the transparency sections are published in draft and we hope that we will get a wide variety of comments from the public and from yourselves. The Select Committees are engaging with them pretty much as we speak.

Finally, on the accountability arrangements, every month Departments will publish a progress report and it will be put up on the No. 10 website. From next year when the process begins to kick in, the Departments will also publish data about their business plans more broadly, as part of the transparency element. Those data sets are already beginning to come on stream and will continue to do so. We are assuming the Select Committees will take particular interest within their remits in the departmental plans, and then, from that new source of information that will be available more broadly—an unprecedented set of information—we are expecting that there will be quite a lot of engagement more broadly. I hope that that helps.

Q3 Chair: Okay. Thanks very much. Kris, do you want to add from your perspective?

Kris Murrin: Sure. I think Ray's covered a lot of the territory there. I think at their most simplistic level the business plans were a way both of taking the coalition Government's programme for government, which set out its clear intent, and turning it into specific plans

as to how these actions would be delivered and of giving an accountability framework. The plans set out very clearly month by month what each Department is due to do. That data is made public, so that stakeholders, public sector workers and the general public can look and simply say, "This was the coalition Government's intent. How are they doing? Are they on track? Are they not?" I think that was the main objective.

Q4 Chair: Okay. We will hold that for the moment; I am sure we have all got lots of questions to ask you, but let's go to David Normington and Martin Donnelly and just say that you are the guys who are charged with implementing this. How do you see it going? How are you going to turn this into action and delivery?

Sir David Normington KCB: Well, the business plans have a lot of action in them, but they are not the whole story about what the Department does—and they are not intended to be, in fact. They are really concentrating on the reform programme and the changes the Government want to make, but as colleagues have said, there is a lot of information in there which will be put into the public domain. Of course, particularly in big operational areas like the UK Border Agency, underlying this will be a detailed operational plan that will include a work force plan about where you are going to use your resources and how you are going to reduce both the budgets and the number of staff and maintain the service. So there will be quite a lot of detailed operational planning underneath this.

Q5 Chair: Just to interrupt, is that going to be in the public domain?

Sir David Normington KCB: Well, the UK Border Agency plan will be, yes, because agencies—

Q6 Chair: And except for your security stuff, will the rest be?

Sir David Normington KCB: Well, I think so, yes. We are already committed by this plan to put more of our plan in the public domain in terms of the money that we are spending on particular programmes. I think the detailed plans that will be published will be for the executive agencies, which is where the big operations are. So yes for the operation, for the big executive agencies.

Martin Donnelly: Perhaps I can echo that point. Joining the Department the day after the spending review was helpful in one way. It was also very helpful to be in on the final part of the Department's plan because it sets out very clearly what our priorities are. They are our priorities but are also agreed across government. Like David, we are now moving into the stage, following the spending review, of detailed operational planning to work out where resource goes to deliver these and all the other things which we do by statute. That is the process which is under way in the weeks ahead. There is a particularly important area for us: relationship with our partner bodies, which, as you will know, vary from extremely large, like HEFCE, through to really very small. I have written

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to all the partner organisations about how we will take forward aspects of this plan with them—our commercial strategy and our finance programme together—because all our administrative spending will now be looked at centrally, and this plan and the related work that we are doing gives us a very good basis for clarifying how we go forward with the range of partner organisations that will be delivering a lot of what is in our plan.

Q7 Chair: Administrative expenditure will be looked at centrally by you, by Ray, by Kris, by Ian—by whom?

Martin Donnelly: Well, certainly we will need to look at it together because it is now—

Q8 Chair: What, within BIS?

Martin Donnelly: Our administrative spending within BIS and the administrative spending of the partner organisations is being looked at as one unit and therefore it is incumbent upon me as accounting officer, with the key executives, to ensure that we are spending that money effectively and that no partner organisations are being squeezed excessively, or, conversely, have more funding.

Sir David Normington KCB: If I may say so, I think the admin expenditure now is a control total and therefore we have to report against admin expenditure, so we have to hit that budget.

Q9 Chair: To the three others: who could intervene?

Ian Watmore: We could. Well, first of all, from a Cabinet Office point of view, we are a Department as well, so we have our own version of the plans that David and Martin have talked about. From the intervention point of view, we are looking very carefully not to duplicate what the accounting officers are doing in their respective Departments, but instead to look across Departments and identify areas of common spend where we could highlight differences and then go and work with the key Departments where they look to be outliers one way or the other.

Q10 Chair: I am really intrigued by your role, Ian, because you say you are working with Departments to eke out efficiencies; that is what you are tasked to do.

Ian Watmore: Yes.

Q11 Chair: So will you do that by saying to David, “Have you looked at how you deliver this?” Or will you do it by David coming to you and saying, “Actually can you help us with this?” Will you monitor them? How are you going to get that together?

Ian Watmore: The day I tell David Normington what to do, could, I think, be an interesting day.

The reality of the position is that when looking across the data, if we picked a particular indicator of spend and felt that in this case the Home Office was an outlier, for either good or bad reasons, I would pick up the phone to David and talk to him about it. There might be perfectly understandable reasons. If it is a bad indicator, it might nevertheless be explainable, in

which case there would be no further action. If, however, there was a problem, I think that David—this is my experience of with working with him and others in the past—would say, “Can you help us so we can at least understand why this is like it is and what we can do to fix it?”

Q12 Chair: But if David says, “Leave me alone.”?

Ian Watmore: Ultimately the expenditure that David has in the Home Office is for him as accounting officer and for the Home Secretary as Secretary of State to deal with, so we are not trying to blow their accountability; it is meant to be more helpful.

Q13 Chair: I am not saying this is not a tricky question—

Sir David Normington KCB: No, I do not think I can say, “Leave me alone.” I mean, sometimes you do that with the centre, but I do not think you can do that in this case, because the monitoring process is an escalating one which eventually gets to the Prime Minister. I will only say, “Leave me alone,” if I know that I am on ground which justifies that. I think the process is one where if the problem continues it will be escalated and eventually—all of us will try to avoid this—we will be in front of the Prime Minister explaining why we have not done it.

Q14 Chair: Ian, what about the Philip Green recommendations? How do they sit?

Ian Watmore: Well, two things about the Philip Green recommendations: No. 1, he complained, I think rightly, that there is not enough management information at the heart of government to see across Government Departments and how they compare and contrast. These business plans have been designed to get some of those indicators into the public domain in a consistent fashion across Departments, so that will help. In the second—

Q15 Mr Bacon: Can I just stop you there? Are you saying they are going to be standardised indicators, then?

Ian Watmore: Yes.

Q16 Mr Bacon: That is the idea?

Ian Watmore: There are subsets that are in operational indicators and so on in each plan and the intention is they are measured on a like-for-like basis so that we can compare and contrast.

Mr Bacon: Okay. Sorry to interrupt.

Ian Watmore: You know the sort of issue: when you ask a simple question like, “How many staff do you have?” you immediately get 10 sub-questions, such as “Are you including the executive agencies or not? Whole-time equivalents or not? Part-time employees or not? Contracted in staff or not?” So we are going through a process of agreeing in detail what those definitions are, so that everybody will report on a like-for-like basis. So that would be the first point about the Green review.

The second point is there are some aspects of efficiency that the Green review pointed out should be done once on behalf of Government for all

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Departments to benefit from. I think when I was last before the Committee I used the example of the energy procurement that we have done, which since we have met has actually won the civil service award for the best project or activity done by the civil service over the last year, so it is an example of how by doing something once all the Departments get the benefit of that. So the other part of the Green review is that we will be building up, I think, 10 categories of spend that we are going to do centrally on behalf of Government.

Q17 Matthew Hancock: On exactly that point, to be able to do things across the whole of government, in some cases you do need to mandate, and you just said that actually Sir David could tell you “No,” so how can you do cross-cutting savings like that unless you have the power to mandate?

Ian Watmore: The Government have been quite clear in the spending review to highlight a number of areas where they have the central mandate, and the example I gave is one of those. So that is the mandate of how we will be doing it.

Q18 Chair: And those mandates are what—all the Green review mandates, really?

Ian Watmore: They are not all Green review, no. They were put into the spending review. You may have heard the Government talk about what they call their tight-loose framework, which is where they are talking about certain things they want to control very tightly and certain things about which they are much more devolutionist. In the former category tend to be the areas of efficiency, and it is in those areas that the spending review explicitly laid out what the controls were—things like having projects approved before they start and having procurement done centrally and that sort of thing.

Sir David Normington KCB: And property.

Ian Watmore: And property, yes.

Q19 Chair: I think that is been a useful run through at the beginning. I am glad I have heard it, because I looked at this and thought, “This is a partial plan; this is only a plan around change, where proposals are going to change.” One assumes, for example, that around your core business, all of you as Departments will have the new transparency things—I cannot remember what you call them—input indicators and impact indicators, which sound to me like outcomes and PSAs and things, but I know they are a bit different, and we might come to that. Will you have those impact indicators for the rest of your business?

Sir David Normington KCB: We will certainly have data for the rest of the business. For instance, effectively, we will have more impact indicators for the UK Border Agency than are in the plan, because we need that to run the operation, which is a very large operation, and we will also be trying, of course, to put resource, staff and money to those indicators. It will be a proper operating plan. So yes is the answer to you.

Q20 Chair: Okay. It is obviously an iterative process, but the interesting thing in reading these is that resources do not really appear against any of this so far, and I just wondered how that was going to evolve?

Sir David Normington KCB: At the moment the plan has the very high-level outcomes from the spending review, but we are committed in our plan—I do not know whether that is true of others—to publish more detail about our spending against the main programmes of the Department when we have allocated the budgets in detail, which is the process going on now. So, you will be able to see, for the next financial year, the detailed breakdown of the money.

Q21 Chair: And Martin, you are doing the same?

Martin Donnelly: If I could give one example from the BIS front, we published on 16 November our skills strategy, with nine outcomes and a set of associated indicators to allow people to drill down more clearly in that particular policy area.

Q22 Chair: And is there money in that? Are resources in that? Do you also publish the money and how the money goes down?

Martin Donnelly: In that case, quite a lot of the money goes through the further education agencies, and they of course do have their own planning process—and that will also come out as we distribute the funding in detail following the SR. For some of our objectives, such as the regulatory ones, around the competition framework or rebalancing the economy, resources are actually less important than some other measures.

Q23 Chair: But in the skills one, for example, for me, a business plan doesn’t make sense unless you can relate what you are going to do to what you are going to spend and profile that over time.

Kris Murrin: I think the transparency section of the plans at the moment, as colleagues have commented, is draft, to allow consultation. It will be firmed up by the end of March ready for the financial year—in that there will be a summary of spend to a programme level.

Q24 Mr Bacon: Sorry, I think you may have partially answered this question, but going back to what you were saying a minute ago about the next version having more numbers in it, it does say, “This document will be refreshed annually”. Are you saying the next version will have, against each of these structural reform branches at the top, numbers attached?

Sir David Normington KCB: I do not know precisely the answer to your question, but what it says under the table on spending is “Detailed breakdown of these budgets will be published by April 2011”. So the answer to you is yes, although I do not quite know how we will be breaking it down. Broadly, you should be able to see against the main priorities of the Department how much we are spending. I suspect we will be doing it in more detail than is actually in those headline coalition agreements, because we need to do it in a way that covers the whole Department.

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Q25 Mr Bacon: But if I take those bits of Lego and bolt them back together, will I be able to get to “Item 4: Secure our borders and reduce immigration” and see how much money was spent on that?

Sir David Normington KCB: I think so, yes.

Q26 Nick Smith: Also on plans, will they be integrated? I say that because there is a good reference on page 14 of the Home Office plan dealing with alcohol licensing. I notice on page 15, however, in terms of an integrated criminal justice system, there’s an emphasis on reducing reoffending for drug users, but not alcohol users. I think that is a bit of a gap.

Sir David Normington KCB: I cannot promise you that everything will be integrated in year one, in truth, but alcohol and drugs, which are both major drivers of crime, will be in the detailed plan.

Q27 Stephen Barclay: Mr Donnelly, you said in your opening remarks that you will be looking at administrative spending in your partnership organisations. Will that include looking, for example, at what partnership organisations are spending on consultants and interims?

Martin Donnelly: Yes, the Cabinet Office guidance applies across the partner organisations that are within the Francis Maude exercise from earlier this year, and one of the issues that I am very keen to ensure everyone is clear on is what information is required at the centre—that is one area; another, for example, is senior salary levels—so we are sure as we go into the next financial year that all the partner organisations are working within the same disciplines as we are in BIS. One thing I have asked them to do is tell us if they think we can be doing anything more efficiently, because it is very important for an organisation like ours, which is smaller than the total of our partner organisations, that we do not have delusions of grandeur, if I can put it that way, in this matter. It is a joint process; we are working within the same disciplines.

Q28 Stephen Barclay: That is very helpful, because last year I think the Government spent £1.5 billion on consultants, £700 million of which was with arm’s length bodies and no central data was collated on that. What you are saying is that, for the 70-odd partnership organisations within BIS, you will now be gathering that data?

Martin Donnelly: Essentially, yes. I hesitate only over one or two at the margins where there may be specific arrangements for expertise. For example, in respect of some of the research councils, a lot of what for us might be administrative spending would be defined as programme spending because it is very closely related to delivery of a particular programme, where slightly different rules apply. But the underlying logic, as I understand it, is precisely that.

Q29 Stephen Barclay: Okay. Well, that is very helpful. I do not want to misquote him and I need to check exactly what he said, but at our hearing two weeks ago, Sir Gus gave evidence which suggested that it wouldn’t be practical to gather the data on

consultants for arm’s length bodies, so it is quite reassuring if we are actually going to gather that now.

Ian Watmore: As I was with Sir Gus on that occasion, I think what he actually said was that in the past it has not been but in the future it will be. And I think I explained that the—

Q30 Chair: I am not sure he said that, but I hear that that is what you wanted him to say.

Mr Bacon: “What he really meant was...”

Ian Watmore: I am learning. I also said that the key was that we probably would only start to get really good data from April 2011 onwards, so that this year’s data is going to be a hybrid, which is why when we presented to you last time, we had very good data on the centre of Government and approximate data on the arm’s length bodies for this year. I think it will improve next year.

Q31 Stephen Barclay: Mr Watmore, it is a very helpful clarification; I am very pleased to hear it. Could you further clarify that interims will also be included in that central mandated data?

Ian Watmore: Yes.

Q32 Stephen Barclay: It will—that is great. And as part of the transparency, therefore, will we be getting in real time a sense of what is spent on consultants in terms of any restructuring costs around the changes being brought in?

Ian Watmore: I think it is going to be difficult in the first instance to say, “The consultancy was then spent on these five different sub-activities,” otherwise we end up publishing so many different cuts of the same information. So I think in the first level we would be saying if the Department, which is BIS, spends £1 million on consulting we will record that and who the company was and what—

Q33 Stephen Barclay: But I thought one of the changes was that the Cabinet Office was now gathering monthly data on consultants?

Ian Watmore: Yes, we will be from the new year onwards, and in respect of the current period, we took a six-monthly stock take at the end of October, which is what I reported to the Committee last time, and new contracts have to be centrally approved, first by the Department and, if they are larger, then by the Cabinet Office.

Q34 Stephen Barclay: I guess what I am trying to get an understanding of is this. The Home Office, for example, last year spent £73 million on consultants and further money on interims. And I know Sir David had a memorable exchange with Charles Walker about some of the spending on consultants in your own experience. Moving forward, how are we going to get, as part of the transparency agenda, visibility on exactly what that £73 million in the Home Office is going to be spent on?

Sir David Normington KCB: I think that there will be quite a lot of detail. There’s a limit to how far that will be broken down, but I think it will enable you, if you have not got what you need, to ask some further

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questions, frankly, and usually we will try to answer them. First of all, we are trying to cut the amount of consultancy anyway. I do not think we will be breaking it down into penny packets, but I think there will be enough transparency there for you to first of all see what the main spend is and also to ask some further questions. I would expect you to be able to see, actually, how much we are spending, if anything, on consultants for restructuring.

Q35 Chair: We are going to move on. I just want to ask a general question and see what the centre's going to do with Departments, because when Gus O'Donnell came here he said that the reason there's been a cut in consultancy—I hope I am not abusing what he said—is that you have stopped doing things. You have stopped doing ID cards, let us say, in the Home Office, so you have cut that out. When you start doing things again, you are going to be starting to use consultants. And particularly where you are cutting your core staff, your administrative staff, by a third, as you all are—and maybe both David and Martin can say yes on this—it seems absolutely obvious to me that you will have to use consultants if you are to do a lot of these change programmes as you move forward. If I am wrong in that, tell me, but if I am right and if that happens, what will the Ian Watmore, Kris Murrin and Ray Shostak do in those circumstances, so that we get an understanding out of it? I mean, will you make it work in the framework?

Sir David Normington KCB: Well, the first thing to say is consultancy costs are in the administration part of the budget, which has to be cut by a third. The reason I said it was a control total was that it means that we have to account for that, and if we overspend on that, the NAO will qualify the accounts. Therefore, that is the control on us not transferring costs from our own staff to consultants, and that is really important because I think that has happened in the past. Secondly, of course there will be a need for some consultancy in the future, but I anticipate it being mainly—as actually it has mainly been in the past—on more technical help for designing big programmes, of which there will be fewer. But we are actually trying, and have been trying for a year, to replace some of that technical expertise that you get from consultants by recruiting our own staff, who are a lot cheaper. There will be pressures here, but since there are a lot of controls and we are committed to a target of reducing by 50% this year and 50% again next, and we will be reporting to the Cabinet Office on that, I think you will see very clearly if we have not achieved that. And I think they will be down on us like a ton of bricks.

Q36 Chair: Well, you can probably say this as you are going to be departing. Are those constraints too much then? If you are cutting your central staff; if you've got this control which prevents you from employing consultants for project-based benefit; if you've got Gus O'Donnell saying, "We do not have project management skills within the civil service anyway, because we do not pay enough," are Government setting you more than you will achieve?

Will it be less, and how will we be able to see that? Will you go slower, will you be doing less? Somewhere it is got to burst out, it seems to me.

Sir David Normington KCB: If you are cutting your capital expenditure as the Home Office is, by 49% in real terms over this period, there will actually be fewer programmes, and therefore I just do not think that in future we will have the pressures on consultancy spend that we have needed in the past. So that is one answer. I think there will be some quite tough calls here, in truth. I think there will be some pressures. But actually I'd rather have these constraints on consultancy spend, because it is become such a hot potato really, hasn't it? And I think there are questions about whether we have spent too much on consultants in the past, and this will cause us to test very hard whether we need to spend money on consultants.

Ray Shostak: I think part of the answer relates to Ian's comments earlier on about the tight-loose framework, inasmuch as currently there are new approaches to working with Departments on their consultancy spend, relating departmental work to the work that the efficiency and reform group is doing under the leadership of Francis Maude. Now, that in itself will surface such issues in a very tangible way, and is currently doing so, and that tightness is without question part of the reduction in consultancy spend over recent months, and almost certainly will be into the future.

Q37 Matthew Hancock: I want to broaden it out a bit. When we see permanent secretaries twice a week in this Committee, we see that the problems that have led to whatever catastrophe we are looking at tend to be linked to poor data and a lack of accountability. Now, those two things are, of course, intertwined—if you have no data, it is hard to have any accountability—but we normally find out that (a) nobody knew how much was being spent on x or what the outputs were, and (b) nobody is ever fired. I want to ask you both your big picture reaction to that and whether you think that these proposals will improve those things. But also, specifically on the impact and input indicators in the Home Office, for instance, you can't possibly run the Home Office just on these two pages of indicators. So I suppose my specific question is what more data are you putting out there and how are you deciding what data you need, and how quickly are you going to get this data into the required form. I understand that it is for transparency reasons as well, as Ms Murrin outlined at the start, but also for internal management purposes more data is required. How quickly is that happening? So if I could ask first in terms of the Home Office specifically, and then maybe Ms Murrin could spell the position out more broadly.

Sir David Normington KCB: I agree with your underlying assumption that we need more data than is going to be published here.

Q38 Matthew Hancock: Do you agree with the accountability bit as well?

Sir David Normington KCB: I do. May I come back to that though? I believe we have a great deal of data,

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actually. I think the issue is whether it is the right data to tell us where the risks are, and whether we have the expertise and focus needed to spot those risks before the thing blows up into a crisis. I think that in the history of the Home Office, that has been a problem on a number of occasions. However, I think by the spring we will be able to show you that there is a detailed plan and what data we can put into that plan. If you just take the immigration area, we have a huge amount of data which is both about outputs and about process in terms of timing and the speed with which we deal with things.

Q39 Matthew Hancock: Hold on, are outputs the same as impacts? You said outputs.

Sir David Normington KCB: Well, yes, I used the term “outputs”; impacts, outputs, frankly—

Q40 Matthew Hancock: We are all getting used to the new language.

Sir David Normington KCB: We are getting used to this language, although I guess I may not have to. But they are broadly the same thing, in fact.

On accountability I have quite a few examples—and I have never sought to make a public spectacle of this—of people we have moved on because they have not performed well enough. There are one or two examples of permanent secretaries moving on in those circumstances, so I entirely accept that there’s a need to—

Q41 Mr Bacon: Can I stop you at that point, because I remember when you were permanent secretary at the Department for Education and we were looking at individual learning accounts. You were asked—this was about seven or eight years ago; in fact it was 2002—whether the people responsible for it were still there or whether they had been fired, and you said, with a certain degree of satisfaction, “They are no longer on my payroll,” the clear implication being they were still on the taxpayer’s payroll, but somewhere else. The example you have given of permanent secretaries is true, but a couple of examples of what quite often happens feature in some of the books that have been written recently, including something that happened under the last Prime Minister but one. Or was he the last Prime Minister but two? Anyway, it was under Mr Blair; it is so difficult to keep up, isn’t it? Jonathan Powell’s book gives an example of a permanent secretary who was moved on, and because they insisted on not promoting him to get rid of him—it was seriously put to Mr Blair that he should promote him to get rid of him—there was a huge row and it took several years and £2 million to get rid of him. Now, that is not satisfactory, is it really?

Sir David Normington KCB: Well, I do not defend those things. That is not satisfactory. I believe in accountability and I believe that if there is serious failing that can be pinned on people, there have to be consequences.

Q42 Matthew Hancock: Do you think that this process will improve that?

Sir David Normington KCB: I think it will because there’s a great deal more information out there and some of it is comparative information between Departments. But you still have to take that decision to do it. It doesn’t make it any easier to take that decision.

Q43 Matthew Hancock: So, Ms Murrin, maybe you can answer on that point, because the question is whether this will be done more than in the past, and that ties into whether these business plans are an improvement on the old approach, so in terms of more data and more accountability, do you think these will improve the situation, and how?

Kris Murrin: I think we can unquestionably say that there will be more data in the public realm, and that is probably a good thing. In terms of how the process will work, my job in the centre is to make sure that as much data as possible is made available to stakeholders and to the general public to make assessments for themselves of the job that we are doing. I think specifically in the business plan there are a number of sections in the transparency half. It lists all the data that Departments are making available with a clear timetable as to when that will be published, how regularly, and to what level. What we have then tried to do is to say at a very macro level on the input and impact indicators, what is the handful of indicators that will give us the greatest sense of what is going on out there at a service level. They are in consultation for a very good reason. We want advice from people: are these the right ones? Are they the most useful? I have been given a very clear steer by the Government not to make it a very big bureaucratic task, and to keep them down to a very manageable level, but to find out what are the most appropriate ones, and that will be done over the next few months.

Q44 Chair: But let me ask Ray, how is that different from the PSAs?

Ray Shostak: There’s another thing that we need to add—and this is certainly very different from the previous regime. You’ll have seen that in the Cabinet Office business plan—and there’s a short multiple choice test on the Cabinet Office business plan in a minute—it will be publishing a departmental scorecard which captures the data emerging from the business plans, and it will do so on a quarterly basis. That will be used by the departmental boards. You will have seen that the Government has announced a new cadre of non-executive directors who will be working in the Departments as part of their departmental boards. All that will be much more part of the departmental machinery and part of the accountability structure relating to the sorts of issues and concerns that you are raising. There is no question but that unprecedented amounts of data will be available. Now, that begs a range of questions on which we have been working with the NAO, on ensuring that the data’s robust, timely and actually measures something that people want to have measured—and all the sorts of concerns that we may or may not get on to this morning. There will be

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unprecedented amounts of data at local level and at national level, and that data will be available to be used, as Kris outlined earlier, by everyone: by the public and by yourselves, and, as David and Martin have outlined, it can be used in terms of the management of the Department, and so things will be very, very different in that respect.

Q45 Mr Bacon: What will be in that scorecard?

Ian Watmore: Yes, as I was trying to say earlier, where there's common data across Departments, we will put it out there for comparative purposes so that you can see and compare and contrast. We have always had this difficulty in government that individual Departments do unique things and therefore it is difficult to compare them, so what we have tried to do here is to say there are certain factors about the way Departments run that is consistent across Departments—things like the ratio of back-office costs to front-office costs—which you can start to compare and contrast across Departments. You might then sub-categorise them into small Departments, very large Departments and those with big reach, and there might be only three sub-categories. That is to be worked through, but I think that is what we are trying to get to. Obviously the impact of the education policies in the Department for Education is not directly comparable to the impact of home affairs policies that the Home Office might implement, but administrative cost comparisons can be made, and that is the sort of thing that we will be comparing

Q46 Mr Bacon: So is it going to be numbers rather than the office of budgetary management traffic light system?

Ian Watmore: Yes. It is the numbers that are in here, but aggregated and compared and contrasted, if you like.

Q47 Stella Creasy: The story that is coming across at the moment is there's a lot of data that is going to be published, but what I am quite interested to tease out from you is how that is actually going to affect implementation, because it would be useful for me to understand as a start how the milestones connect up with the impact or input or output indicators that you've got. I mean, how do those mesh together? What's your understanding of how that is going to work? Is it on a departmental basis or perhaps on a Treasury basis, because obviously from what you said at the start it was not the Departments but the Treasury who were actually involved in setting those.

Kris Murrin: I think the front half of the plan sets out in detail the processes that will be gone through to deliver the reforms that the Government has set out in the coalition agreement. The input and impact indicators are in draft for a very good reason, which is that is the best available data that Departments have suggested maps most accurately to the reforms and will give the greatest amount of clarity on what is happening out there across the system, but we are looking for input on those to see if they are the most appropriate ones for the next few months.

Q48 Stella Creasy: So when this gets published in the future, the milestones will then be matched with a list of input indicators? You'll be able to see how those match up to the milestones you are trying to achieve?

Kris Murrin: As much as possible, but obviously one of the things we do not want is to start putting big and very costly new data requirements on the system, so what we are trying to do is get them to match as closely as possible but at a very good value-for-money and appropriate level.

Q49 Stella Creasy: But you must have some understanding within the Departments that if you are working in the Passport Office agency, for example, the input indicators that you've got there will fit the milestones that you are trying to achieve. So you should be able to cross-reference them, surely?

Sir David Normington KCB: You should be able to cross-reference them, and particularly in an operational area like that you will be able to. But if you take another example, some of our milestones relate to the creation of elected police and crime commissioners, which is a process issue, and the milestones on that are about delivery by a certain time. The impact indicators are hard to line up with that. Clearly, there will be some impact, but it is hard to say, "That is the impact of doing that." Clearly, that is about shifting accountability to elected people locally, and the data then will need to be out there to enable local people to judge what's happening locally.

Q50 Chair: This is a really interesting one, because we are going to see decentralisation and localism across government. What happens if your local elected police authorities do not deliver to your national priorities? Do you let them get on with it? Do you interfere? Does Kris interfere? Does Ray or Ian interfere? What happens if they spend too much on admin? What happens if they, even at that level, do not do what you want on drugs and alcohol?

Sir David Normington KCB: Well, the elected police commissioner as one person, not an elected authority, will be accountable for what happens locally and although there will be a small number of national priorities to which for instance local police forces have to contribute, such as the detection of serious organised crime, most of what they do they will do locally and they will be held accountable locally, and actually this signals a shift away from setting national priorities.

Q51 Nick Smith: On the subject of data, I am just trying to find a link in your business plan between the plans on pages 14 and 15 and data at the back of the document. I am glad that you are going to try and make sure that there's a relationship between the actions you propose to take forward and how you are going to measure it later, but I just can't see anything on alcohol licensing, and we mentioned earlier the gap in working with people who were alcohol abusers. I wonder how you are going to show that in your data later on.

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Sir David Normington KCB: I do not know, actually. I think it is an interesting point, because what you'll be able to measure is whether we have done the actions there. In fact, we have always published data about alcohol-related crime, for instance. So I think there's an interesting question there. I think this may go to areas that we have not got in the high-level business plan, but where we may be publishing that data anyway. I'd quite like to think about that, because after all this is an iterative process and it may be that there are some more things we ought to put in there.

Ray Shostak: Part of the question you asked originally was what difference it would make in terms of implementation. I think that is inevitably a key question as regards the approach and whether or not the data will be helpful to implementation. At the end of the day, the quality public service—what really matters—is what is actually happening with regard to an individual citizen and their local service—their police officer, teacher, nurse or doctor. The plans are intended to try to build clarity about what we are trying to achieve, presented in terms of what the Government, what the coalition, is looking to achieve within its public services, and to ensure that there's a consensus around that. Inevitably there then needs to be clarity on roles and responsibilities and who is going to be responsible for what. Again, the plans are beginning to articulate far more clearly what the role of Government is and what the role of other agencies and other service providers is. Sets of data are needed that enable us all to know whether what we were intending to have happen is actually happening—hence the relationship regarding the transparency of the data—bearing in mind that local people will use that data for slightly different purposes from national Government. Of course, there follows all the other detail on feedback loops making sure there's good sound management, governance and so on.

Q52 Stella Creasy: Sure, but that leads me on to something else. There is obviously a difference with regard to the scrutiny that can happen in the public realm, because of the data that you have published and how you are using it to deliver as a Government agency on the priorities that you've set. That brings me to my second set of questions, which are about how this data will enable checking of where things are going wrong or are not being delivered. There is number of issues already that you've identified where you are overdue on things. How are you using data to track your ability to deliver the things you say you are wanting to do in this new system, and what then are the traffic lights that come up—or perhaps you used to use traffic lights—to say, “Well, this isn't happening, so how are we going to make it happen?”

Q53 Nick Smith: I understand that alcohol-related crime costs the country about £7 billion a year—and in Wales there were 76,000 such examples of violent crime in 2008. What data are you going to use in your action plan in the future which makes a difference back in Blaenau Gwent, where we are concerned about the cost of alcohol-related crime?

Q54 Stella Creasy: Also you've listed as overdue the end of child detention. So, you've got that data. How then does it feed into the system of actually achieving outcomes?

Chair: There's a lot in that.

Sir David Normington KCB: At least you know we are behind on the end of child detention. In fact what is happening is that there are a large number of questions asked of Ministers about why we are behind—and I think that is progress, actually.

Q55 Stella Creasy: As I say, this is not necessarily about public scrutiny; it is about how you are using the data. I am trying to understand where this comes into your Department—

Sir David Normington KCB: How I am using that is to say we need to come to an end point on that, and the intention is to try to do so before Christmas. So for me that is being used as a management tool in the Home Office. There's a whole process beyond this for me, where I manage the Department, and I manage the Department by looking at the key indicators and deciding why we are behind and so on, and then flagging that up to Ministers if necessary.

Q56 Stella Creasy: Yes, and so where does that then fit in with the escalation process you talked about?

Kris Murrin: I think you raise a very good point. At the moment, on a two-weekly basis, Ray, myself—the centre—meet Departments and go through their plan and see what progress has been made. At the end of each month—the Friday after the last day of the month—a monthly report is published on the No. 10 and departmental websites, which you can all look at, which sets out exactly which actions are overdue, and the Department is required to give an explanation as to why it is overdue, and then a judgment is made as to what is the most appropriate way of then dealing with that. Clearly, if there is an issue, as David points out, it is now flagged very early and allows you to actually use that data to do something about it in a more timely manner.

Q57 Mrs McGuire: Could I ask whom the plans are intended for? I am a bit confused as to whether or not one set of business plans can actually meet all the requirements that we have heard about this morning. Sir David said it was a management tool, somebody else said it was about public accountability, I can't remember who said it was about stakeholders. Can one business plan in this format meet all those demands? Discuss.

Kris Murrin: I think inevitably no document can meet the needs of everyone who wants to read it to a greater degree. I think what it is designed to be is giving the maximum amount of information to the greatest number of people. It will inevitably not meet everyone's needs to the greater degree.

Chair: So what else are we going to have?

Q58 Mrs McGuire: I am trying to get a handle on who is the intended audience of the business plan. Is it technically a business plan in the sense that most of us around this table would understand a business plan

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to be or is it, laudably, an issue about accountability of the Government for its coalition manifesto? I just think there's a bit of confusion at the heart of this, no matter how laudable I think the idea is.

Kris Murrin: Thank you. I think it is a bit of both. I spent many years working in the private sector and it has many of the elements that you would see in a normal private sector business plan. But I think it is primarily an accountability tool. It focuses, as we have discussed, primarily on the structural reforms that the coalition Government are trying to deliver. It will be used in a number of different ways. Departments' staff are using it to work out the priorities that they are being asked to focus on, but as David had pointed out there will be other documents that Departments will need to do the day-to-day running.

Sir David Normington KCB: It is not enough to manage the Department. It is a starting point, but it is not enough, so I wouldn't regard it as a tool managing the Department. The detailed planning has to hang off this for managing the Department.

Q59 Mrs McGuire: And to follow up on the Chair's question, will some of that other information which will underpin the business plan be made public as well?

Sir David Normington KCB: I think so, yes. Even if I said no, in these days of freedom of information, it would be a yes, anyway. So I think the answer is yes.

Q60 Matthew Hancock: Sir David, just on that specific point, you said earlier that the operational plans below the business plan will be published for your agencies under the Home Office but not for the centre. Why not?

Sir David Normington KCB: Well they might be. To be honest, I am not quite sure what kind of a plan we are going to have for the centre. But I am perfectly happy to take your view that we should try to make as much of this public as possible. There is a full business planning process—an operational planning process—below this which effectively takes it from the centre of the Home Office out into the agencies.

Q61 Mrs McGuire: Are the plans that we have in front of us by way of example four-year plans, to be refreshed annually? I wanted to try to find out what "refreshed annually" means, because in flicking through the plans as they are—I appreciate that they may well not be in their fully refined state—I see that everything seems to happen between now and, I think, November 2011, with the odd exception of March 2015, and nothing seems to be happening between 2011 and 2015. I would have imagined a four-year plan might lay out far more succinctly what would happen in years 3 and 4.

Ian Watmore: The Cabinet Office plan has a number of things in it for 2012 and so on which relate to matters such as voting reform and constitutional reform. In any one of these plans, if you are looking four years ahead, you are going to put out the big things that stretch out four or five years ahead and you are going to put the near term in a lot more detail. That is the way you do planning and management by

work programme, which I've done for many years and I am sure lots of you have. What we will do each spring, and possibly every half year, is just bring the next group of activities into focus and put them out in more detail, and if in the meantime some new big things have come on to the horizon we will put those into the medium-term plan.

Mrs McGuire: So that is what the "refresh annually" will be about?

Ian Watmore: Yes.

Kris Murrin: Exactly.

Q62 Mrs McGuire: Now, I have one final question if I may. I think Mr Shostak said that there would be an unprecedented amount of data. How are you going to manage the unprecedented amount of data in any meaningful way, whether for internal use, for the use of Committees such as this or for all those other people who will be interested in this, given some of the difficulties that the civil service has had in the past about managing data? I think you used the phrase "unprecedented amount of data".

Ray Shostak: I did, and I mean it. It is absolutely the case that all agencies will now be providing more information and data as part of the approach to transparency that the coalition is taking. We are looking to manage the availability of some of those data sets through Directgov and through other means to try to make them easily accessible and available. We will need to monitor and develop that process as we go on. Individual organisations, local government and institutions will also begin to make more data and information available to their local users, so that different people in the system can use it in playing their part in the development of public services, as well as in exercising their choice in the use of public services. So we are not going to try and manage it all; we are going to try and manage the aspects that are part of the Government.

Q63 Joseph Johnson: Mr Shostak, thank you for that. I've tried to use some of the databases that the Government have put up online, and I actually found it very difficult. In particular, I was trying to find some data on a database that BIS manages on behalf of UKTI relating to how much UKTI spends on grants to the UK India Business Council. It was quite a specific request, and I really tried hard to interrogate this database but every time it came back with no result. Of course, that is just anecdotal, but I think it will be a massive challenge to make this data dump user friendly, so that it is really valuable to people.

As you said, Mr Shostak, the coalition Government are putting a tremendous emphasis on the transparency framework as a tool to drive efficiency and value for money across Departments. Really, this is a question for the two permanent secretaries. I know it is very early days, but can you give us any examples of behavioural change that you are seeing in your Departments with regard to how the transparency agenda is helping change the way your civil servants spend public money?

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Martin Donnelly: I think it is a very serious question and it is a very big challenge. We have deliberately tried to push this forward, so we are publishing all our spending above £500, for example. I do believe that more transparency is a necessary condition for more effective behaviour, but it does need to go with a culture in which people are not put off risk taking to the extent that if they think there's a risk that something might go wrong they decide that they will play safe and do something which will be a less efficient use of public money overall. Now, it is our job, and ultimately my job, to make a judgment about the risks, but it is really important that we move towards greater transparency in a non-defensive way.

Chair: You have not really answered the question.

Q64 Joseph Johnson: Yes, is there any example? I am really looking just for examples of what civil servants may have done differently as a result of the prospect of greater public accountability through the transparency framework.

Martin Donnelly: If I may return to the spending above £500, I have no doubt that already in respect of issues such as away-days and the use of consultants, decisions which would have been taken with rather less rigour are now taken with more rigour—and we can see that feeding through in the figures for less spend on consultancy and tighter admin spend at the centre of my Department.

Sir David Normington KCB: I think at this moment it is the main effect. The knowledge that all that is under scrutiny, and indeed our own personal behaviours are under scrutiny in terms of what we spend, where we travel to and so on, is causing people to think very hard. It is a precise example; if you put things out in the public domain people say, "Oops, I do not think I am going to do that." Now, that is at a very high level. The question is whether that kind of change then work right through the civil service. It also, if I may say so, causes the senior people to look. When you get the list of all the things that your Department has spent over a certain level and you start looking at it, of course, senior people start saying, "Well, why are you spending that?", so I think we will see the management culture changing as well, and that will change the culture of the Department.

Q65 Joseph Johnson: Thank you. Just to follow up on that, is there not a danger that you find that quite a large chunk of your Department's time is spent dealing with public inquiries relating to possibly relatively trivial sums of money and have you factored in how much civil servant time is going to be bogged down, effectively, by the transparency framework in that sense?

Sir David Normington KCB: Well, I think it is quite likely, but then that I think is the consequence of transparency. We have not factored it in as such and we certainly have not put a cost to it, but I think it is quite likely that those requests will come up.

Q66 Chair: Are you going to monitor the cost?

Sir David Normington KCB: Sorry?

Chair: Are we going to be able to see the cost of this?

Sir David Normington KCB: I do not know. As it is quite dispersed I think I think it will be quite difficult to see—

Mr Bacon: The chap behind you was shaking his head in answer to that question.

Sir David Normington KCB: In that case the answer is no.

Q67 Chair: There is another issue on this data as well, because it may make for a good—

Ian Watmore: Could I just answer Mr Johnson's question?

Chair: Go on.

Ian Watmore: I do not think it is absolutely necessary that we will get zillions more questions on it. For example, we have discussed in this Committee before the contrast between gateway reviews and capability reviews, the latter of which were published, the former of which were not. I am sure we spend more time defending the reasons why the former one wasn't published than we did answering questions on the others once they were published. There is absolutely no reason why putting the information into the public domain actually doesn't answer a lot of questions before they come up.

Q68 Mr Bacon: Was that an announcement that you are going to publish gateway reviews now?

Ian Watmore: We expect very strongly that we will be getting those reviews out into the public domain, because the whole point of the transparency framework is to put these sorts of things out there for people to consider. If they come back and ask questions, at the end of the day you have to make a judgement as to whether it is worth paying the extra money. I think the real challenge will be how we turn data into information. It is quite easy to splurge data on the general public; it is quite hard to give it the context, and that is what I think will evolve over time. COINS is a good example. We published COINS; you know now how hard it is to understand COINS data, as we have known for years, but what that is leading to is a reform of the COINS system and therefore you'll get better information out of it. I think that that is the kind of medium-term pressure we will get, rather than zillions of little itsy-bitsy requests that we have to deal with on a day-to-day basis.

Q69 Chair: Okay. I've got a list of six people, and I want to come in to. Amyas, James, Nick, Stephen, Matthew. Who have I left off?

Amyas Morse: There are two points I might ask you as a group to comment on. I am sure when you made these proposals you must have thought about the US experience of publication. I'd just be interested to know, not at great length, whether in the US that led to a torrent of inquiry or not. This is presumably looking at the US experience and seeking to get some of the benefits of that, so I would be interested to know. Perhaps Ian or Kris—

Ian Watmore: My understanding is the politicians who put this framework forward did look very seriously at the US experience, which is more open on these sorts of issues, although we have discovered

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this week that it is maybe not on all of them, and I think their view is backed up by the answer I gave to the previous question, which is that the sheer fact of putting this information into the public domain first reduces requests for data, but secondly puts more pressure on behavioural change inside the system, and that I think is their political philosophy behind that.

Amyas Morse: Okay. So in answer to what I was asking you, there wasn't a new torrent of inquiry because there's a lot more data out there is what that experience—

Ian Watmore: And I think there's always a subtle difference, if I may, between the point at which you first release something and the routine publication. We found with the capability reviews that with the first round there was massive interest, but by the third people were just taking it as part of the culture of government.

Amyas Morse: And on one other very specific point, if I may. At the moment not all the priorities are tied to impact indicators and I understand that. But can I ask whether by April 2011 the priorities will have monetary costs associated with them in most of these plans? I do not mind who answers.

Sir David Normington KCB: I've already answered that I think by saying there will be a detailed breakdown.

Amyas Morse: Okay.

Sir David Normington KCB: I am just hesitating about whether it will be possible to put alongside each priority a sum of money. We have to get as close to that as we can.

Amyas Morse: That is the intent, on all core Departments, is that right?

Kris Murrin: No, I do not think that is the intent. As David says, there will be detailed spending information in the plans for the next financial year and it will be possible to aggregate that to look at the big priority areas for a Department, but as David said, I do not think it will be articulated as a particular sum of money for each priority.

Amyas Morse: So if we are looking for financial accountability we should really be looking at the Department's comprehensive plan to follow through the money?

Sir David Normington KCB: Yes, every department's different here. We give, without conditions, to the police about 60% of our budget. There's a different answer for each of us. That is why I am just hesitating.

Amyas Morse: No, I understand. Thank you.

Ian Watmore: I think it is important that we are not trying to drive this from the centre. You can debate whether this is the right philosophy, but the point of philosophy that hasn't really come out is that these plans are about the activities of the core Government Department. Most of the reforms are going to be in the wider public sector, community sector, very local. In the past there was an attempt to directly cause-and-effect link those things and I do think that is what they are trying to do here. They are trying to hold the Department to account for what it does, and for local deliverers of services, for the services that they provide to the public and there's a separation there.

Q70 Chair: I've got a list of people waiting to ask questions, but I am going to just abuse my position as Chair for a minute, because there is a conflict here: we are going to decentralise it all—your police chiefs and things are going to do it—and we have a set of national coalition priorities. What I can't get at all is this. Where that comes into conflict, both in terms of reductions in spending and in terms of—I can't remember the word you used—output data, what's going to happen? Who's going to come in? How are we going to resolve that, or are you just going to let it hang out and say, "Well, there's the information about it all; that is it"?

Ian Watmore: I can start with the efficiency side. I hate to use the phrase "tight-loose" continually, but it is the one that the Government use. The "tight" bit is about the efficiency indicators, and those are the bits that we will hold central Departments to account on, to make sure they spend their money efficiently.

Q71 Chair: And if the police chief, hospital or school doesn't deliver the efficiency, then what?

Ian Watmore: In the case that I am talking about it is the Government Department's efficiency that we will be looking at.

Q72 Chair: Most of the money's out there.

Ian Watmore: When the money moves out there, then I think you are into a different regime. If you give the elected or local official freedom to—

Chair: Overspend?

Ian Watmore: No, overspending is an accounting—

Q73 Chair: So you sack the police chief, you shut the hospital?

Sir David Normington KCB: No, because in the police chief's case that will be a decision for the elected police commissioner. There will be a big shift there. It is of course different in the police area because there will be a directly elected person who will be elected specifically to oversee police and crime in their area. In fact, we are not just saying, "It is all out there." We are also saying—it is in the plan—that there needs to be a set of data by which local people can judge whether the local force is delivering: street level crime data, antisocial behaviour data, police arrests, stops and searches, the number of complaints by police force. That will be required data as well, but the accountability is then local.

Ian Watmore: That is the difference.

Q74 Chair: And for hospitals and schools?

Sir David Normington KCB: I do not think I can answer on hospitals and schools.

Q75 Chair: Well, maybe Ray can: what happens if a school or hospital overspends?

Ray Shostak: I think the point you are making there is absolutely right—that it will be different service by service and area by area. What happens in the police, because of the nature of the reforms in terms of the elected police commissioners, will be different from what happens in health because of the NHS commissioning body, which will be different again

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from schools—and slightly more complicated in terms of the relationship between academies and free schools. So there isn't one simple answer to that. What is clear is that there needs to be both local accountability, and indeed an interest represented within the business plan in terms of the overall spend of public money.

Q76 Chair: So as we try to hold Government to account for meeting its objectives and spending within its budget, and meeting the coalition priorities, will we know who is accountable? Will we know is it the head teacher, the elected police chief, the commissioning body? It is Richard's old thing: will there be somebody to whom we can say, when that goes wrong, "The buck stops with you?"

Ray Shostak: We are in new territory here. I know Lord Adonis came in and met with you some weeks ago and the IfG is doing a piece of work on accountability within the decentralised structure, and the coalition has committed itself to a new approach in terms of decentralisation. It is absolutely the right question to ask, and we are going to need to find answers to that, but it seems to me inevitable that there will be people who will be accountable in the system, in a slightly different way from what we have seen in the past.

Q77 Chair: And when will you be able to tell us that? Will that be clear by April?

Ray Shostak: We will be able to tell you that service by service, as David has just done.

Q78 James Wharton: I am quite pleased that we are getting the opportunity to look forward to something that is going to be implemented. On this Committee, we very often look back over—and deploy our amazing collective powers of hindsight to identify—things that have gone wrong in the past, and tease out some of the lessons that can be applied to the future. The one thing that concerns me a little bit—and I think Anne has touched upon this in looking through the business plan—is that quite a lot is happening now and there is lot of change that is being implemented at the moment. In April 2011 we are going to have some new data that we can work with—we are going to be moving forward with this programme, and if it works it is going to be really good. We are going to have all this information so that we can then dissect what's going on with new layers of accountability and so on. But what about the gap between May this year and when all this comes in? I am looking for some reassurance that we are not taking our eye off the ball, because there is an awful lot of change going on already and we are looking to implement new processes by which we can hold that to account, but there is this year or so in between where there is a lot happening. I would like some reassurance that the Committee is not going to come back in two years' time and look at this year and say, "What went wrong there?" and the answer is going to be, "We hadn't implemented our new measures at that stage so we weren't really looking at it." I want some reassurance that what's happening now is being effective.

Sir David Normington KCB: The previous regime wasn't data free. It is really important to say this. There was a lot of data out there. Of course, what this is doing is measuring some different things and making data more available to the general public and also breaking it down into more locally usable data, so there is quite a lot of change. However, certainly in my area, there is a great deal of data, but it is against the previous Government's priorities, if you like, on crime and on immigration, and that is still being published on quarterly basis and at the end of the year, as normal, we will produce an annual report with a great deal of data about what we have done, how much money we have spent, and showing it against the priorities of the Government. There is quite a lot of material out there. It is not as though there is nothing happening at the moment in terms of collecting data and publishing. It is just that it is not against this framework.

Q79 Mrs McGuire: I remember we had annual reports in 1997 and 1998; did we have annual reports after that?

Sir David Normington KCB: The Departments have produced their annual reports—

Mrs McGuire: I remember the first flurry with which the first Government annual report was received.

Sir David Normington KCB: I do not know about that, but the Department has produced annual reports.

Mrs McGuire: But there won't be a Government annual report?

Ian Watmore: I think it is a good challenge to get these business plans to reflect the medium term, as well as the short term. There has been a big focus on making sure that the next six months of activity is clearly identified, so that people can put that there. I think what we need to do to develop these plans is to lay out more clarity on how the four years will shake out. If I go back to the answer I gave earlier, you will get more detail at every six-monthly refresh. I think that is a good challenge.

Q80 James Wharton: I have to say I have some concerns based on personal experiences and information that comes to me in my role as a constituency MP and in the work that I do day to day. A good example is the replacement of the RDAs with the LEPs and that process and the winding down of the regional development agencies. Now, I've had information come into me about the way in which my regional development agency is going to do that and the way in which public money is being used. Whether it is accurate or not—and I am being very careful with my words here, because I do not want to make accusations that may be unfounded—information has come to me about people's job positions and titles being changed and shifted about to benefit those individuals, rather than to have the most efficient winding-down process. I am fearful of that we will find, looking back, that we took our eye off the ball during this transition period. Everyone is focused on where we are going and where we want to be in this new regime and there's this period of quite dramatic change. My private concern, which I would

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want to put on the record as much as anything—as well as to get a response from you—is that we do not lose sight of what’s going on now this year with all the changes that we are making.

Ian Watmore: I think that that is a really important point. All three of us who have departmental responsibilities will say this is a subset of what we are doing, and that what we are doing on a daily basis is much more than this, which means that we cannot take our eye off that particular ball. That is an absolutely clear objective.

Martin Donnelly: Just briefly on that specific point, we do have a transition board made up of all the key Departments and the RDAs to ensure an effective transition. This is a very big challenge and it is one that is high up our risk register, and we are seeking to manage it actively with the RDAs themselves.

Q81 Nick Smith: Like James, I welcome the emphasis on local data and transparency and we will see how that shakes out in terms of the public response over the coming months. I think it is okay that you are producing data on passport application times and processing because all that is important and relates to the sort of work that this Committee does. But what is really important is collecting data and publishing information on what I think of as the tricky issues in public policy, like drugs rehabilitation and the cost of alcohol-related crime. I just want an emphasis on those things and a bit more information on them, to see that we are doing the right thing in those public policy areas. I know this is a work in progress, but I would be more interested—and I think the public would be more interested—in progress in those key areas, rather than what I think of as pretty *vin ordinaire* public administration.

Sir David Normington KCB: If you take the Home Office plan, there’s a mix of those efficiency measures and data that people will really be interested in, like crime and antisocial behaviour, police response times, and so on. There are some real things that really interest people. I think your point about drugs and alcohol is a fair challenge, actually, and I promise to take that away, because the last time I appeared before this Committee, in its previous guise and under its previous Chair, the session was on drugs and on drug rehabilitation. There was a lot of data before the Committee at that point, but the NAO also pointed out some areas where there was not enough. So, again, it is not as though there isn’t a lot of data about drugs, drugs treatment and drug rehabilitation; it is just that we have not committed ourselves to publish anything in this plan. There is a lot of data and it is a really interesting question as to whether we should commit ourselves here or we should just do it, but getting a match between what people are really interested in and this plan is what it is about. This is, in a sense, why we are having a consultation about the transparency bit. That is why we are having it, really.

Q82 Nick Smith: Do you think you’ve got the right balance?

Sir David Normington KCB: We may not have done yet.

Q83 Chair: I am glad that Nick asked that question, because I think there is a general issue around the data. There is data that you require for management purposes or to ensure that we are cutting the spending, and then data that the public are interested in. I think that the two are not necessarily the same. I am thinking back, David, to the question, “Are we are going to get Ofsted inspection data?” which is hugely important to parents in deciding which school they choose. I think they are probably less interested in whether the school has kept within its budget. I do not know if that is a Kris Murrin question, or a Ray Shostak question, or a question for Ian. How are you going to meet the different demands of different populations?

Kris Murrin: That is absolutely right. As a number of people have said, the business plan impact indicators are not in any way meant to be a summary of all the data that is going to be provided. There are huge numbers of data sources that are already being collected in Departments on myriad areas. My role very specifically is to make as much as possible of that data available to the general public, so that parents can use whatever data they would like to make a choice. The highlighted areas, the impact indicator level in the business plans, is a subset of the 10 that, so far, were judged to be the most useful macro-datasets to give you overall an understanding. But the very reason that they’ve been put out there in draft form is to consult and say, “Are these the most useful ones?” That doesn’t in any way curtail other data sets being collected on all sorts of issues and made public.

Q84 Stephen Barclay: This point builds on recent questions, and it is about the balance between the quantity and quality of data. Sir David, you commented that there is great deal of data out there at the moment. However, I was surprised, for example, that the Home Office wasn’t keeping data on how much compensation it paid on asylum issues. As part of this transparency, I would welcome an answer to who is driving the assessing of where there isn’t data and where the data should be raised? Is that coming from a challenge centrally, or is it very much for the Departments to identify that sort of thing?

Sir David Normington KCB: It will partly come from the political priorities we are set, both by the Home Secretary and by the centre of Government, but I think in this process—and in a sense this conversation is proving this—it will also come from the public, and from the representatives of the public, who will be saying, “There’s all this transparency, but actually we can’t find out what we really need.” If we are serious about transparency—and the Government are very, very serious about it—then we have to try to respond to that. If we are not providing data in a way that people can understand, it is not going to work, is it? That is why this is such a big change, really; it is trying to get data in a form which is usable, answering the questions that the public and you would want to have answered.

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Q85 Stephen Barclay: As part of that, are you going to be putting, perhaps, names attached to certain priorities, so that there is transparency as to who within the Department actually owns some of these issues?

Sir David Normington KCB: Well, it depends which priorities you mean. Ministerial names have to go first against the priorities, don't they, because ultimately, that is where the first line of accountability lies for the political priorities that have been set.

Q86 Stephen Barclay: But that is more at the policy level. I am talking about the execution level as well.

Sir David Normington KCB: Yes, but a lot of these things are about policy, to be clear. But we have not gone as far as doing that. Of course, what we have just done is put a great deal of information about the organisation of our Departments in the public domain with names attached to it. We have not gone as far as I suppose we could, but I perhaps ought not to commit myself to that.

Chair: The trouble is that people move so fast, both ministerially and administratively.

Q87 Stephen Barclay: The information that we have got is helpful. I was struck that, for example, in your Department there are 150 staff on press and communications and 64 in your private office. Obviously you yourself will be departing, but in terms of understanding the challenge you have on administration and the cuts there, will the permanent secretary be determining where those administrative savings come or is this going to be coming from the central challenge—for example, looking across government at the press operation and whether press and communications can be done more efficiently across a number of Departments?

Sir David Normington KCB: It will be a bit of both. The first responsibility is for me to organise the Department to meet the priorities within the budget. Since the money isn't there, I have to hit the bottom line that I am given in terms of the money. And there is a requirement to cut administration costs by a third and the communications functions are encompassed within that. Now some of those savings can be achieved in our corporate and support services by sharing those services with other Departments across government. So, for example, the pension services across government are provided from one place for all civil service pensioners, and I think that model will become more and more common, so we will have fewer of our own dedicated HR and finance services and we will have more of them shared. We are already down that road, but to meet the requirements here in terms of meeting expenditure we will have to go a lot further. By the way, it is not my private office that has 64, but the Home Office's private office, and I would never cut the private office without consultation with the Ministers.

Q88 Matthew Hancock: I have to say that this has been one of the most reassuring, helpful and positive Public Accounts Committee meetings I have attended in my short six-month stint—so I want to ask a more

difficult question. So far we have been talking a lot about the data, about accountability and about structures, but in these big changes that are evidently being put through, in terms both of reforms and of the process of managing the reforms—high-level stuff such as the business plans that we are talking about—we have not talked about the human aspect, and a lot of change management is about the human aspect and about managing people. The civil service, if I may characterise it this way, hasn't always won awards for its management of people and in particular for its change management. Given the scale of the task that lies ahead of you, I wonder what, alongside this, you are doing to ensure that that management ability is there—because it needs to be there right now—and to make sure that you manage that human aspect to keep all this on track. I wonder if there might be someone from the centre who might be able to answer that first.

Ian Watmore: Can I start and maybe get the Departments to pitch in? I think you are right. The Cabinet Office's own staff survey has just highlighted that in the very last month that confidence among the staff in change management is low. You are right to raise this. There are three levels to this matter. One is, "What's the macro change that is going across the whole system?" You want something that is relatively light touch at that level—you do not want micro-management of the change from No. 10 or the Cabinet Office or whatever—but we do need something that looks across the whole change picture, and I think we talked a little bit about this in the previous forum I attended. There are three types of change going on. There's the change in head office land, which is here and now; there are changes in the big Government agencies, which are probably spread over the next couple of years; and then there are changes in the wider system, which are probably much longer term. There is a series of changes that are overlapping that add up to a financial picture that roughly declines a quarter on each year, but is actually in each area quite dramatically different, so that is one picture that we are trying to look at centrally.

The second level is then, "What's the best experience and the best practice?" We had a really good meeting of the permanent secretary group in September or October where we actually got three or four permanent secretary colleagues to tell their own stories of what they've been doing in their Departments, and people are hungry for more of that. We had another training meeting of the top 200—the director-generals and permanent secretaries—only a couple of weeks ago where we had more of that. So we are trying to get the lessons shared. Then it is in the specific Department, where actually it becomes the major part of the management team of that Department to manage the change agenda, and that will be different depending on what the Department is and what each of the changes going through are.

Q89 Matthew Hancock: What's your experience of that? Maybe you could give us a retrospective on this question.

Sir David Normington KCB: This is all in the end about the type of people you choose for your

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leadership at a various levels and whether you are choosing them because they are very good at thinking about policy and supporting the Minister, or because they are very good at managing the people in the organisation. Historically it was true that the people who got to the top were the people who were very good at doing the policy and supporting the Minister and less good at doing the management of resources and people. I hope that that has changed. I believe it has changed enormously in my 37 years, but that is a long perspective. Certainly in the Home Office, I have been trying to choose people who are good at managing people, because we have 30,000 of them and they are the key to whether any of this is going to happen. At the moment they feel very anxious about their jobs, their pay, their pensions. Trying to manage that change while there are those anxieties requires a very high level of management. One thing I am keen on and have done a lot on in the Home Office is bringing in a range of people in from other places, so we have people from the local government, from the private sector and from other Government Departments. I have tried to build that cadre of people, which I didn't think we had in the Home Office.

Q90 Matthew Hancock: Mr Donnelly, you are new to your post. How do you find it?

Martin Donnelly: I think this is the biggest single challenge. One thing that I am doing is talking to, and being mentored by, some more experienced permanent secretaries going through this change process. I have found that morale has fallen and the challenge is to get on with the change process rapidly, to give people certainty or at least a clear understanding of when the uncertainty will be over and to treat people decently, to be very straightforward. That means listening to them, and it is a personal leadership job for me and for my team of director-generals. The slimming has started at the top. So we have slimmed the DG team and we are now slimming the director team over the weeks ahead. As we go through this, we aim to be very transparent with people. I hope that at the end people will be able to look back and say that this was handled not only professionally, but in a way that respected the fact that, as you say, we are talking about real people who have given a huge amount of service to their country through being civil servants. It is very important that they get the respect they deserve as we go through the change process we know we all have to lead.

Q91 Chair: So are you all allowing everyone to go on voluntary redundancy? Is that the general thing as we cut down the headcount, or are we actually picking and choosing?

Ian Watmore: There is always a distinction between low performers, which we do through a performance management arrangement, which gets people out of the door when they under-perform.

Q92 Stephen Barclay: What percentage?

Ian Watmore: Like most organisations, it is typically less than 5% at that level on a given year. The challenge we have got, as you know, is several tens

of percentage points bigger than that in each area. Therefore, the first port of call will be the voluntary redundancy programme.

Q93 Chair: So it will be voluntary redundancy?

Ian Watmore: Yes, the terms of the compensation scheme are going through Parliament as we speak. When that scheme has been laid out, that will be one, but a lot of Departments have been getting on with that this year already, so to pretend that it hasn't been happening is wrong. I am loosely responsible for the COI and they've just made 300 people out of 800 redundant—

Q94 Chair: Can I just ask David Normington and Martin Donnelly whether they think going down the route of voluntary redundancy first is a good route?

Sir David Normington KCB: We are required by our agreements to go first to voluntary before we got to compulsory.

Q95 Chair: Do you accept all the voluntary?

Sir David Normington KCB: I was going to say, actually, the Home Office is losing 2,600 people this year before we get to the spending review, which is 7%. It is voluntary on both sides and therefore you do not have to let anybody go. Of course it takes a bit of management grit to say, "You are too good to go," but actually that is what we have to do in this process. It is only if you get to a situation where you can't get the numbers down—where you do not have enough volunteers—but if you have enough volunteers you can pick and choose, and providing you get your criteria right, you can try and make sure that you retain the people who are the future of the organisation. It is hard, and it will get harder. Further down the road there are places—and it is mainly places—where there will be compulsory redundancies if we can't get enough volunteers. That will be the difficulty as we go down this road. We are committed by our agreements to do it by voluntary means, but we may have to move to compulsion.

Q96 Mr Bacon: We have been talking about performance management inside organisations and I found Mr Hancock's last question about the human side one of the most interesting aspects of all this. Indeed, Mr Shostak, you said this whole thing is the greatest challenge of all. It became very clear when all the public sector top salaries were published just how many directors-general there were who had come in from the outside—in many cases on higher salaries than permanent secretaries. Sir David, you mentioned that you brought in quite a few people from outside. Charles Clarke in evidence to the Public Administration Committee said that there were several posts when he was Home Secretary that basically had to be filled by people from outside, because, he said, the Home Office couldn't find the right people internally. This speaks to the whole question of civil service formation and whether people are getting the right training or not. Indeed, you mentioned how Sir Gus O'Donnell said the other day to us how much people like doing policy, and you end up with people

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at the top who do not have management experience. You are well known for being a good manager among permanent secretaries. But the experience tends to be that people get to the very top who've got policy experience rather than experience of running things, and people who are good at running things sometimes get pushed sideways, out of the system, or ejected by the system. Sir Michael Bichard comes to mind in that respect.

What I would like to know is this—and it may be best to start with Mr Watmore, who is nodding his head at this point, I am pleased to see—what about the management of the whole system? All the think-tank work on this, both from the left and the right, whether you are talking Reform or the IPPR, seems to come to the same conclusion about the management structure of the system. I start with you because it says here that you are the Government's chief operating officer, which is terrific. All the think-tanks seem to come to the same conclusion, which is that we need to reform the structure of the civil service. We need to have a Cabinet Secretary who's got line management responsibilities for the permanent secretaries under him. At the moment, the permanent secretaries—this group of self-protecting Greek philosophers, if I can put it that way—do not really have anything more than a senior common room chat about the failings of the Ministers whom they serve. When we have this sort of architecture it is not obvious in a management sense who holds permanent secretaries accountable on a regular basis. Now, some would answer that of course Ministers do, but we all know that you can have seven Transport Secretaries in seven years, so we do need this kind of reform that people have been talking about?

Ian Watmore: There was so much in that question that if I answer it I am almost agreeing with it, but there were some things in there that I wasn't sure I did agree with. So I am not going to, although one point is that I think Sir Michael Bichard distinguished himself as a very successful Permanent Secretary, but that is another issue.

Mr Bacon: I think he was too.

Ian Watmore: The fundamental point is that the top echelons of the civil service need a blend of people deeply skilled in policy and people who are really good managers, procurers and commercial animals and so on. I think we have got a much greater blend in today's top civil service than we have probably ever had. I've got a private sector background, Kris has a private sector background, Ray's got a local government background, to name three around this table. So there are people coming into the system from a variety of backgrounds and bringing their experience. That is the first point.

The second point is that permanent secretaries are accountable to the Cabinet Secretary. I do not think any of us would say anything different. The Cabinet Secretary is the most senior of the permanent secretaries. We all get appraised by him every year, and so on. Secondly, the Secretary of State for whom we work has a serious input to make. You can't make that absolute because there are times when the permanent secretary has to have a different view from

the Secretary of State and that is an important part of our constitution and our structure, but the Cabinet Secretary would always take into account problems that Ministers had with a particular permanent secretary.

The new board structure that is coming into play will also be another port of call, but ultimately the Cabinet Secretary has that role to ensure that the permanent secretary capacity around his table is the right capacity for the right job—and he takes it, I know from personal experience, extremely seriously.

Q97 Chair: Right, I am going to ask two final questions, which are on issues we have not covered. One is the unintended consequence issue—and it is really more for Ian, Kris and Ray—where action taken by one Department that has an impact elsewhere. In this very decentralised world that we are moving into, how are you going to respond to that?

Ian Watmore: Again, I think there are administrative and policy considerations. You asked earlier about what the public is interested in. There is a section of the public that is really interested in the administration side, and there is a bigger section that is really interested in the policy outcome side, and I think the question has two parts. If, for example, we were taking decisions in one Department that had an administrative weakness that knocked on to the rest of the Department, that would be something for somebody like myself or the Cabinet Secretary to pick up and address.

Q98 Chair: What does that mean, “address”? I am just trying to see what the structure is.

Ian Watmore: Let's give you a practical example.

Q99 Chair: No, you can give endless examples, but let's just say that Ken Clarke decides he's putting fewer people in prison and that has an impact on the number of people committing crime.

Ian Watmore: Then we move to the policy issues of which I think there are many more examples, where ultimately it is for the politicians to decide whether there reforms are coherent or not. If they start to collide in a particular area, then that is one of the jobs of the Minister in the Cabinet Office responsible for policy.

Q100 Chair: I am hoping this doesn't happen because I support Ken Clarke in what he's trying to do, but if, actually, letting people out of prison does lead to greater crime, then the accountable people will be the two Ministers and nobody else in the system?

Ian Watmore: Sorry, I wasn't sure if that would be the consequence because it depends on the specific example, but when you are talking about a coherent set of policy reforms—and there is a public service reform White Paper due in January which is going to lay a lot of this out—and where you are looking at the combination of all the different things, including payment by results, transparency, devolution, elected local officials, commissioning and all the sets of policy reform that the Government is bringing into play, the most likely impact of those if they are in

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conflict is likely to be in a single place. It is going to be in a location where you might find that there is a difference between those two. That is what I think the politicians have got to address both at national level and at local level.

If you are going to get an interplay, as there always has been, between justice, health, housing and education—all the things that we know make a difference to whether somebody is going to reoffend or not—to use your example, then it is about how we commission locally to ensure all those agencies are brought in. I was having that discussion with the Minister, Oliver Letwin, the other day, and these are the sorts of questions that you might want to pose to him because he's much more articulate on the subject than I am. It is about how you commission a payment-by-results activity. If you are going to pay somebody by results of not reoffending then the way to commission that is to ensure that all the local agencies that provide a service that will actually influence the outcome. It is very hard to drive that from the centre of Government; it is much harder to drive than at the local level. I think that is what the Government believes its reforms are trying to do.

Sir David Normington KCB: On your specific point, of course the Home Office has a shared objective with the Ministry of Justice on integrating the criminal justice system, including supporting the Ministry of Justice “to develop options to provide people with greater protection, prevent crime, and apprehend criminals”. In other words, these policy issues are shared with the Ministry of Justice and there is joint decision taking on them.

Q101 Chair: The final question is on the management of risk, because the best-laid plans go wrong. How organisationally between the centre and Departments will you respond to national circumstances that emerge—external factors? An enhanced threat of terror would be one for you, David, or perhaps lack of skills and therefore challenge to growth? How is risk that you can't see now going to be managed in the development of plans to keep to both the priorities and the spending constraints?

Ray Shostak: Each of the Departments, both those represented here and across Government, will, of course, have their own risk management plans in

place. They have done and will continue to do so. From that point of view, you would be expecting the Department as part of its operational planning in terms of looking to the future to have a clear and unambiguous risk management plan and strategy to be able to handle all of that.

Q102 Chair: So the centre won't intervene?

Ray Shostak: The approach the centre has taken is to be looking to Departments to be well managed and to find ways in which they can have and exercise that responsibility. Picking up the earlier point, on whether the centre will go away, if there are financial risks at one Department knocking on to another Department, of course, our spending teams will be picking that up and be working with those Departments to actually resolve those sorts of tensions—hopefully proactively rather than reactively.

Ian Watmore: It is the cross-cutting risks that we try to pick up centrally. You have political mechanisms for that, but also the Cabinet Secretary has his own civil service management structures in which we look at these issues. At that level, we are trying to see what are the things that cut horizontally across four or five Departments that might make a difference. It might be international. It might be security. It might be skills. It could be all sorts of things. We try to identify what those are and either work with the Departments concerned to bring them together or occasionally, as has happened periodically, you then put something that is a different unit cutting across. The third sector was one that came up many years ago; every Department was dealing with the third sector in an ad hoc way on its own. It looked okay from the Departments' own point of view, but aggregated it didn't, so the Government brought in the Office of the Third Sector—now the Office for Civil Society—as an oversight body. There are occasions when we do that, but in the main we would look for cross-cutting things and deal with the Departments concerned.

Chair: Thank you very much indeed, that was a very informative session. We will see how it gets written up, but what we are trying to evolve is a framework in which we can then make judgments over the next four or five years. I think your contribution to that was really, really helpful, so many, many thanks.

Wednesday 9 February 2011

Members present:

Rt Hon Margaret Hodge (Chair)

Mr Richard Bacon
Stella Creasy
Jackie Doyle Price
Matthew Hancock
Chris Heaton-Harris

Mrs Anne McGuire
Austin Mitchell
Nick Smith
James Wharton

Amyas Morse, Comptroller and Auditor General, gave evidence. **Gabrielle Cohen**, Assistant Auditor General, NAO, **Nick Sloan**, Director, NAO, and **Marius Gallaher**, Alternate Treasury Officer of Accounts, NAO, were in attendance.

Examination of Witnesses

Witnesses: **Rt hon. Oliver Letwin MP**, Minister of State, Cabinet Office, and **Rt hon. Danny Alexander MP**, Chief Secretary to the Treasury, gave evidence.

Q103 Chair: Welcome to you both and thank you very much for volunteering to come and appear before the Committee. We have had a series of hearings that really are there to support us in trying to understand how we can then best hold the Government to account during the process of the implementation of the comprehensive spending review and your coalition reform programme as well. We have had one private hearing and then one public hearing, so it is really helpful to hear your views, but we realise things are evolving and it is pretty iterative at the moment, but it might be helpful for you to get some of our early feelings on it. I don't know who wants to answer this one, but we originally started this by looking at the business plans and I just wondered how you would define those business plans. What are they?

Danny Alexander: Do you want to go first?

Oliver Letwin: Yes, I'll shoot on that. I think actually they have a remarkably clear definition. It will be for the Committee to decide whether it is the right definition, but we are clear about what they are trying to do and what they are not trying to do. They are the classical exposition, the definitive exposition, of what it is that Departments are meant to do that is within their control—I will come back to that point in a moment—to make a reality of what is in the coalition programme for government.

To bring out more clearly what that means they are not, they are not plans for the operation of business as usual. I mean, Departments have to do job centres and prisons—they have had since time immemorial; they have to continue to do so. Permanent secretaries will need plans to work out human resources for doing it. That is not this. Nor are they what lies underneath this, which we are aware, of course, that particular Departments are developing, which is their own plans for how to manage their own staff to carry out each of the items that are in these business plans—so how a Department allocates its resources, what kinds of committee structures or groups of officials it sets up to make sure that it is implemented. Again, that is not here.

At the high level, it is the question of what the product looks like: what pieces of legislation you are going to introduce; what specific administrative changes you

are going to make—that is what is in here and all of it is tied to the programme for government. The only two other things that are here are a necessary consequence of our effort to make sure that you and others will be able to hold us to account in relation to those plans—which we think is in our interests; this is not a sort of charitable activity—one of which is a set of inputs, the financial inputs, that accompany these plans, the amount of money that is available to the Department.

Q104 Chair: That is not there yet.

Oliver Letwin: It is not there in full yet and will be at the next iteration.

Q105 Chair: Which will be?

Oliver Letwin: Probably at the start of the next financial year.

Q106 Chair: So by April. One of the questions was really around there are not costings attached and that is why I said I appreciate it is iterative—

Oliver Letwin: Yes, our intention is to produce a set of these plans that benefit from the further work that we are doing in a series of White Papers, building the programme for government and building on the spending review 2010 to give a full picture of the financial inputs. There is a kind of placeholder in there at the moment, rather than the full information. I'm sure you will want to ask Danny more about that.

But then there is another thing, a third thing—again, it is not fully there yet—which is the outcomes, indicators of the outcomes. It is our intention that in the not-too-distant future—but not on the same kind of timescale; it will take somewhat longer—you should be able to drill down from the aggregate outcomes to much more specific ones. Just as through the transparency mechanisms that we are putting in place for both central and local government, you will be able to look down and find out what is being spent down to quite small amounts of money and be able to identify the unit costs of quite small entities. We hope you will be able to look down from, shall we say, the number of pupils in Britain who are getting GCSE grades A to C in given subjects, to how well a

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particular local authority area is performing, how well within that academies versus local authority schools, and indeed, in the end, right down to the individual schools. There is a gradual move towards a very great deal of transparency about the outcomes that arise from the combination of what we inherited and what we are doing here.

Q107 Chair: Okay. Now—
Danny Alexander: May I—

Q108 Chair: Yes. Please do.

Danny Alexander:—perhaps add something in relation to two of those points. Oliver’s initial point was that these business plans are a tool both for us to ensure that the Departments deliver on the commitments that we made in the coalition agreement, and also for you and for other Select Committees, and for Parliament and for the public, to be kept abreast of how we are getting on with delivering those things—so it is a tool of accountability.

I think the last point Oliver made is also very important and I think it cuts to the point that you were asking about: what is the next iteration of this? Because the transparency part of the plans is something that will prove to be very useful in terms of the input cost indicators, the impact indicators, the data on common areas of spend, which will be comparable between Departments so that Committees and others can make comparisons. That is something that has particularly been in a sort of consultative phase, with the round of business plans we published last year, where engagement has been going on at departmental level with, for example, departmental Select Committees on the choice of data sets and so on, where experts and stakeholders in individual Departments’ work have been engaged with that. As well as adding in commitments made by some of the important strategies that the Government are bringing forward at the moment, the development of those indicators through that consultative process will, I think, also be an area where you will see change at the next iteration in April.

Q109 Chair: Okay. Now, they are therefore partial, right, because they reflect the agreement? We will be interested in holding you to account for spending, so we will be interested in indicators and data right across the field. David Normington, when he gave us evidence, said there is nothing in here about running the UK Borders Agency, which is obviously a big part of—or was—his empire, and we will want to see indicators around it. Because they are partial, I think I want to get a feel as to how they fit in with your overarching priority, which is the deficit reduction. You have your coalition agreement priorities set out in the business plans. You then have this overarching ambition to reduce expenditure by £81 billion. How are the two going to gel together, because that is really important for us?

Oliver Letwin: Do you want to start?

Danny Alexander: Yes, I will, yes. The first thing to say is many of the structural reforms that are set out in the business plans are a necessary part of that process,

because the objective that sits behind many of those reforms is to ensure that we continue to get good or better outcomes under circumstances where there is less public money to spend. In the DWP business plan, we set out the Work Programme, for example, which we think is going to be a more effective way within that system of getting people back into work. We can go through other examples, but therefore the structural reforms are an important part of Departments living within their spending review settlements and ensuring that they continue to maintain and improve the outcomes of the services that they manage and deliver.

Obviously the data that are provided in the business plans, particularly in the common areas of spend, are very important to managing the efficiency agenda within Departments to ensure that they can deliver the 33% or more reduction in their administration budgets, which we set out in the spending review. Honestly, we in the Treasury are keeping a very close eye, day by day, week by week, month by month, on how Departments are getting on in living within their spending review settlements in every area of their activity.

Q110 Chair: With respect, it does not really give me an answer, because what we will want to be able to look at is Department of Health, DWP, whatever it is, and say, “You have an ambition to reduce spending by x. Within that you have a commitment to implement coalition agreement y,” but how do we see that whole picture? The reason why I asked the question was originally—I do now understand the purpose of the business plans—I took them, in my naive way, that they were business plans for the whole of each Department’s expenditure. They are not; they concern coalition agreement implementation, so we need a context in which we can look at the whole of a Department, given that is really the overarching priority of you in government.

Oliver Letwin: I am trying to imagine myself in your position and obviously it is going to be inadequate, because you understand where you are coming from better than I am going to, but I think it may be helpful if I say this: these are primarily designed, as Danny was mentioning a moment or two ago, as a tool for us, because we have a responsibility to the Prime Minister, the Deputy Prime Minister and to the Cabinet to make sure that we implement our programme for government.

We think, incidentally, that they will be useful not only to you, but to other Committees, departmental Committees and so on, but actually if they were no use to anybody we would still need them for that purpose. That is a separate question from the question: are Departments spending the amounts of money that they said they would spend on the things that they are spending it on? As a matter of fact, the inputs listed here will help to search for that, but I am sure that you will want to call accounting officers and Secretaries of State and so on to account for what they are doing on that, and the business plan and structural reform plans here, neither impede nor help with that process.

Chair: Okay.

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Oliver Letwin: The connection, therefore, is a connection of ideas, of just the kind that Danny was bringing out. I'm not asking you to share this view, but our view is that it is more likely that Departments will be able to live within the spending constraints and produce good outcomes if they take the actions that we are putting down here. The point at which I suspect the circle comes round and joins the starting point from your point of view is that the outcome measures here will be, of course, a product of many things: partly the scene we inherited; partly the actions and reactions of hundreds of thousands, maybe millions, of people around the country that we cannot control, but where we hope to have created proper incentives; and partly our actions in the structural reform plans that change structures that should have effects. You will be able to judge, looking at the outcomes and looking at the overall inputs and much other information besides whether we have improved outcomes and whether the Departments—

Q111 Chair: Okay, but let me just pursue that and then I will bring in Anne. Let me just pursue with some—and these may be wrong, so this is why it is good that we are meeting at an early stage. For example, take the health reforms—absolutely classic. In health you have the ambition to find £15 billion to £20 billion-worth of financial savings. You have a reform agenda as yet uncoded; the two could clash. The reform agenda is part of the business plan; the savings go on somewhere else. How do you reconcile that? Take another one—two others I came across. One: free schools—maybe wrong, maybe right—but according to the papers, £50 million has been set aside to implement free schools. One is costing us £15 million. How are you going to ensure that you stay within your budget or meet the financial cuts? A third one is the Home Office abolition of police authorities. The Home Office has set aside £50 million for that, and we are now told that setting up and running a new system will cost £130 million. There seems to me, in the pursuit of your coalition agreement reform agenda, a conflict in those three examples between that and your overarching ambition to cut public spending.

Danny Alexander: Shall we start with health?

Oliver Letwin: Let me start by saying something about health, and then Danny may want to move on to the other cases, too. Our view is directly contrary to yours; that is to say we think that the only way in which we can achieve the savings that the health service needs to achieve over the period in which it needs to achieve them in to live within its real terms constant budget while accommodating 3% or 4% growth in demand, as we all know over the period—

Q112 Chair: David Nicholson thinks it is a great risk. I just say that to you.

Oliver Letwin: Okay. Our view is the only way in which we are going to achieve that goal, which is a very arduous goal to achieve, is by introducing changes that change the incentives and locate in the GP, essentially, the combined incentive for high quality outcomes for their patients and an incentive to

control the money that is used to achieve those. Now, of course, we are very happy to talk in detail about—

Q113 Chair: If it were to go wrong, how would the two come together? I gave you three examples; maybe I am wrong on the three, because there is not much that information in the public domain. But if that sort of tension emerges, and my guess from my years in government is that it will, how are you going to reconcile those two?

Oliver Letwin: I think that the difference of view between us—this is a difference of view, and we will only know four years later who was right about this, and I guess in some sense we will never know because we will not know the counterfactual—stems from the fact that we do not think the status quo is a risk-free option.

Q114 Chair: Nobody is suggesting that.

Oliver Letwin: In fact, we think it is hugely risky. We do not think there is a conflict between the changes we propose and achieving the savings we propose; we think it is, in fact, impossible to achieve those savings with the status quo.

Chair: What about the two little—

Oliver Letwin: It is, of course questionable whether we will do so even with—

Q115 Chair: Take the two little examples. There is a big one on health and there is a debate, and we will see how that goes on. But take the two small examples, where you have in your business plan the Home Office example of setting up elected police commissioners. It looks as if it will cost very, very much more than you have put the budget thing, and the other example, free schools. Goodness knows whether it is right or wrong, but everybody is saying £15 million on one, and you have only a budget provision of £50 million.

Danny Alexander: May I just say something about health, if you don't mind, before we move on? Others may want to ask about health, but I think it is very important. Oliver is right that, in each of these cases, we think that these reforms will help to deliver a combination of better outcomes and/or reduced cost or both. In health, you are right to say that there is a very large amount of money and a very significant area of our public service involved, and therefore quite rightly, in addition to setting out the plans in the business plans—they do not just sort of sit there and we wait to see what happens—on that one Oliver and I have spent a great deal of our time working through with David Nicholson, Andrew Lansley and the Department of Health precisely how the reform programme and the need to make savings interacts in terms of how the application of some of the policies we set out in spending review assist in that process; so the pay freeze and the reduction in bureaucracy that the reforms deliver.

But then, of course, you are right to say—I know you have discussed this with David Nicholson, so I shall not repeat it—that there are significant proportions of those savings that are either driven by commissioner behaviour or by providers. The reforms set out in the business plan are there to change fundamentally the

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way in which the commissioning side of that equation works, which actually works with the grain of the sorts of measures that can help to reduce cost and improve outcomes, particular moving more care—

Chair: I think all I am saying to you on that—

Danny Alexander: So the two things work very closely together.

Q116 Chair: I do understand. All I am saying to you is David Nicholson said to us there is a huge risk and there is a tension. I accept that you sit on one side of that argument; we had the evidence from David Nicholson on the other side of the argument. In a way, maybe the answer to those questions, it seems to me, is it is a tension between No. 10, which is you, Oliver, sitting there implementing the coalition agreement propositions, and No. 11, who is—I know you are shaking your head, but I would be absolutely amazed if there was not some truth in this—there for deficit reduction, and I was trying to draw out examples that illustrated that tension and ask you how are you going to resolve it. Not ask you to justify your policy, which we are not interested in, actually. It is not our job to be interested in policy.

Danny Alexander: No, no sure. Well, first, I know that people have been conditioned over the years to tensions emerging between No. 10 and No. 11—

Mrs McGuire: Perhaps since the 17th century.

Danny Alexander: And who knows? That may be proved to be right in years to come. But there is very close working together here and of course the question you ask, in a sense, goes back to the spending review, because in my discussions with Cabinet colleagues in the spending review we worked through what were the coalition priorities in their areas and how much did they think they would need to spend to achieve those, and obviously, my job is to bear down on those costs as much as possible.

Q117 Chair: So have you a quick answer on the free schools or the police authorities?

Danny Alexander: With the police authorities, the purpose of the reform is to give local people more control and more say over the way policing works in their area.

Q118 Chair: And if it costs more than you have put budget in there for?

Danny Alexander: No, I do not think it does. I do not think it does.

Q119 Stella Creasy: I think the thing that concerns us all is if you have got a proposal now, why haven't you also got the numbers now to show that you can connect these two dots together; that we can overcome some of the concerns we might have about tension?

Danny Alexander: Because in the case of the police authorities that is something that the Home Office is working through all the details on. As the Chair said right at the beginning, many of these things are policies that are being worked through as legislation goes through the House and so on, and they will, no doubt, bring forward that information to committees such as yours as time goes on. What I am confident about is that those things have been factored in

appropriately to the way the department spending review settlements have been calculated. I do not know if you want to add anything?

Oliver Letwin: Yes, let's just take the police case, because it is quite an interesting one. But just before I do, may I just make an observation? I accept it is unusual. I had, myself, when previously working as an apparatchik in No. 10, under a different Administration—it was not particular to the previous one—experienced some tension between No. 10 and No. 11. I am aware this can happen. We are living in a very strange time in which, not only are there two parties in coalition, but actually No. 10 and No. 11 are in coalition. While we are at it, the Cabinet Office—

Q120 Chair: Early days. Early days.

Oliver Letwin: It is. Marriages do not always survive, but this one seems so far to be made in heaven. Danny and I tend to do things together for the very good reason that we think that is a good way of making sure that this is perpetuated. So, there is not a tension of ambition. It was not a Treasury spending review or a No. 10 spending review—it was a combined spending review, which is why we feel very confident at the moment that we really have got these things in sync.

Now, come back to the police commissioners. There are two things going on here of an administrative kind and then there is a change in structures and incentives, and it is important to understand the whole package. Administratively, a set of people in police authorities who cost a given amount of money are ceasing to exist as police authorities. Another set of people who do not yet exist are coming into existence as police commissioners, and there is no reason to suppose that we are going to end up with a net increase in cost as a result. But in addition, and much more importantly, because the whole police equation makes both of those sums very tiny, we believe—and of course it is open to debate and will eventually be open to the proof of the pudding—that the incentives, which the combination of crime maps, beat meetings and the election of police commissioners will create, for police officers with reduced amounts of inputs because of the spending review to police properly and deliver what people want from policing will be vastly greater than they are at the moment and therefore we think that the total equation of spending on policing will get much more bang for the buck. We may be right or wrong about that, but that is the structure.

Q121 Stella Creasy: I appreciate on that particular issue, but actually let's go back to what these are, which seem like the pre-nup agreement then on that coalition that you have got together. What you are telling us is, until you have the numbers, these may be subject to change. Is that fair to say?

Oliver Letwin: No. No, what we are telling you is—

Q122 Stella Creasy: So why don't we have the numbers then now?

Oliver Letwin: In the spending review, sums have been allocated for policing. These will be lived within. In order to ensure that we end up with the best possible value for money, which is the best possible

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policing for that total amount, we think that the changes involving decommissioning the police authorities, inserting the police commissioners and having crime maps and beat meetings, is the right combination to deliver.

Q123 Chair: The first figure that we have got—I am going to go to Anne who has been waiting patiently, because I cannot get it out of you—in the budget is £50 million, which was set aside to achieve these changes, and the current budget is £130 million. That is all, and therefore, for me, that is a tension.

Danny Alexander: Well, the elections for the police and crime commissioners are forecast to cost £50 million in 2012–13 and thereafter every four years.

Q124 Chair: The £130 million is the latest Home Office estimate for cost of setting up the new system and running the new system, so it is above.

Danny Alexander: Yes, but as Oliver says, there are also costs to the current system. There are significant costs to running police authorities, and so there are savings on the one side and—

Q125 Chair: But your budget has been broken.

Danny Alexander: This is precisely why we need to deliver these reforms to ensure that we get better outcomes from policing for reduced resources going in.

Q126 Matthew Hancock: Hold on, there seems to be a disagreement. You have just said it will not be broken because it was a—

Oliver Letwin: The overall budget for policing has not been broken; we have no intention that it should be broken.

Chair: No, it was what was—

Oliver Letwin: We believe that the savings will outweigh the costs.

Chair: We will look at these sums, but if we see a figure that is set aside for the cost of setting it up, which is £50 million—and we are not even started on the thing—and now the latest estimate, £130 million, you begin to think, “What is happening here?” There is a little bit of that.

Q127 Mrs McGuire: I am still a little confused as to why you have decided to call these business plans, because, frankly, I think in some ways you have created a stick to hit yourselves over the head with, and I think you may well be doing a fine job on it. I do not think it is clear, either from the contribution that we had from officials, or, frankly, from what we have heard so far this afternoon, how you are going to use these plans that we have—we have seen a few of them—as management tools or tools of public accountability?

Oliver Letwin: Well, perhaps it would help if I describe to you what we do. But, before I do that, let me just say: yes, we have created a stick to beat ourselves with, intentionally.

Q128 Mrs McGuire: I am talking about actually calling them business plans, when they bear very little

resemblance to any business plan ever known to man or woman or beast in the past.

Oliver Letwin: If the Committee wishes to suggest a different name for them, we will look into it; I do not attach any great importance to the name. They are what they are. We have been very clear about what they are. If they should have in your view a different name, please recommend a name to us. But we have created them as a stick to beat ourselves with intentionally, because we think it is helpful and creative that people should be able to ask whether the Government have done what the Government said that they were going to do at, roughly speaking, the times that they said that they would do them. That is a very conscious process.

Now, that comes back to your question of how we can use it as a “management tool”. I want to point out first of all: it is not a question of management, because Danny and I—and indeed the Prime Minister, the Deputy Prime Minister and the Chancellor—are not trying to manage each Department; we are trying to hold them to account at the centre. This provides us with a means of doing so, and the way we do it is very straightforward.

Every month, each Department has to report on how it has performed against these plans. We have been very open, and we have published the cases in which Departments have slipped and the reasons why they have slipped, and of course we are not being ludicrous about it. We do not complain if a Department has slipped by a few days, because something has intervened. These things happen, but we are being open about it so people can see and if a Department starts slipping up a lot and we have not got good explanations, we cause a fuss. I can describe to you, if you want, the escalation of that fuss internally.

Then, on a quarterly basis, Danny and I sit down with each of the Secretaries of State and permanent secretaries and go through the whole process that they’ve been through in the last three months, and what we are expecting and the business plans expect they will do in the next three months, and they explain to us where they are encountering difficulties, and we talk about how to resolve those difficulties. This is a tool for accountability to the centre in the sense of No. 10, the Cabinet Office and the Treasury together, of each Department for carrying out the Government’s programme. That is the process.

Q129 Mrs McGuire: And how are we to judge the success of the reform programme that is laid out here. I will give you an example, “Safeguard the future of the Royal Mail. To seek to ensure an injection of private capital into the Royal Mail.” There is no indication of how much that injection ought to be; as a matter of fact there is not even a start and an end point to it in the BIS plan, and at the bottom the milestones are a Postal Services Bill introduced and a State Aid Notification submitted, which means that somebody has written to the EU. Now, can you tell me why that should be called a business plan, when frankly it is just how Government roll out their programme? There is nothing distinctive in here that will give us a handle on whether or not the reforms

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have been successful. How are we to judge whether it is as indistinct as what is in front of us?

Oliver Letwin: There are three senses in which you can judge the success of our programme for government. One: at the very simplest level, which is what Danny and I are in this context first concerned with, is have we actually done the things we set out to do and translated them into legislative, administrative actions? That is what these programmes are about. That is an important thing to do; it is not something that every Government always does, and no Government will ever do it perfectly, including us. But it is important to try to make sure that the programme for government that we have set out actually happens. That involves things within our control, which are administrative actions and legislative actions.

The second way you can judge whether it is a success is: are the things that should flow from those changes, according to our view, happening on the ground? So if we take the case of the education changes for example, in the plans themselves it says we will have a Bill at a certain time and we will make certain regulatory changes at a certain time; that is in our control. The question is whether we have done that. On the second level, have the academies and free schools that we say will come about, come about? If no academy or free school ever arrived, clearly you would judge that that was not a good outcome. If you look at the situation or others look at the situation and see that not many have, they can take their own view about whether it is enough to constitute a successful implementation.

The third stage, which I think is much the most interesting in terms of value for money, which I take it is the particular prerogative of this Committee, is to look at the inputs and outcomes. Regardless of exactly what the explanation is—obviously, as a Government, while I do not think we are responsible for the outcome in school x or school y, we are responsible for the outcome of the school system as a whole; we are responsible for making sure that at the end of the period of these reforms, things are improving, more children are getting better results and more children are moving on to jobs and so on. Those sorts of things are the indicators that we described at the beginning. You will be able to say, “Yes, you did what you said you were going to do in terms of legislation and administration. Yes, there were free schools and academies,” you might say, “But we don’t judge that you did enough good in terms of the outcomes.” We will enable you and the rest of the public to have that information very straightforwardly, so those judgments can be made.

Q130 Mrs McGuire: But how are you going to judge whether or not you have been successful in terms of outcomes, given the fact that you have said quite clearly that you are against targets? You are against any—as I understand it—indicators that would allow you to compare.

Oliver Letwin: No, no, no. We’re not—

Q131 Mrs McGuire: I don’t understand how you are going to judge whether your business plan has been successful.

Oliver Letwin: We are going to judge it by looking at the outcomes, which will be transparent, and looking at the inputs and seeing whether things are getting better and whether we think they have got better enough. But our judging it is not terribly interesting to anybody, because people do not take much notice of how I judge myself. You will be able to judge. The public will be able to judge. The public will be able to see what has been done, what the outcomes were, how much has been spent and then take a view. They will either re-elect us or not re-elect us. That is the pressure that we are under.

Danny Alexander: May I just add something on that?

Chair: Yes, please do.

Danny Alexander: Whether you call it a business plan or not, I think it is quite a good term for it, in fact, because it is a plan for how Government are going to deliver their business. But it is novel that a Government set out not only what their policy objective is but the steps administratively they are going to take in order to achieve that. You are right; in some business plans the steps are more detailed than others, because there are fewer steps or because there is work still to be done to look at precisely how that gets broken down.

It will mean that you, other parliamentarians and the public will be able to see immediately—because this will be available—if a particular Department has missed a particular deadline in its business plan, as we will. We will be asking Departments for explanations of what has happened, and sometimes there will be good reasons and sometimes there will be things we need to take action on to improve on. I think from the point of view of accountability, having a much clearer, publicly set out, understanding of the process that Departments are going to go through in order to deliver their business is a step forward in terms of accountability. Sitting alongside the range of data here and the much greater range of data that will be provided transparently elsewhere in Government, not least the data on expenditure above £25,000, the COINS database being published and so on, there is actually a great deal of information that will be available for people who wish to examine in detail how Government are going about their business.

Mrs McGuire: But it is so loosely specified, it is difficult to understand the line of accountability.

Q132 Chair: I am going to go to Chris, but one thing before I do, arising out of what Danny has just said: I looked on the website this morning and, actually, the Treasury has done jolly well and probably you put a tick on all the milestones you have met.

Danny Alexander: I think, in fact, we are behind on one.

Q133 Chair: But I have to say, Oliver, out of the 15 things you should have done by the end of January, you have only done five. So whose head is rolling for that?

Oliver Letwin: It is perfectly true that our Department is behind on some things.

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Chair: A lot. It literally is five out of 15.

Oliver Letwin: It is behind on a number of things, and this is a matter to which we are attending.

Chair: Sorry, you have only done five out of 15.

Oliver Letwin: This is a matter to which we are attending.

Q134 Chair: So who is accountable? Who is responsible?

Oliver Letwin: Well, Danny and I have had conversations with Francis about this and we will continue to do so. I have to say that in many of the cases there are good explanations and in some cases things have fallen behind, and where they have fallen behind, we need to cure them and that is true in many Departments and will continue to be so, incidentally. As we go through this process we will continue to be transparent about this; we will continue to find that there are cases—

Chair: But will you—

Danny Alexander: I think it is important to say it is not a sort of mechanistic relationship; somehow the fact that someone has missed a deadline. There may be—

Chair: Only hit a third of deadlines. That is pretty bad.

Danny Alexander: We always want to know why, but sometimes there are good reasons, such as, I think in Defra's case there is a particular international obligation that is in their business plan, and because an international meeting was moved, that goal is going to be met later. In our case—

Chair: You have done quite well.

Danny Alexander:—the one thing where the Treasury is behind is in relation to a commitment to looking at the economy in Northern Ireland.

Chair: Northern Ireland.

Danny Alexander: It is a very important thing and it is something that is taking a little more time than we'd expected because we need to work with a number of people to get that right. It is not as if every deadline that is missed means some sort of catastrophic failure, but it does mean that there is a trigger for proper accountability within Government to understand what is going on, what is being done to put matters right and how that is going to go forward.

Chair: So when we have you back in six months' time you will have done better, will you?

Q135 Stella Creasy: What stage are you at in the incentives process in that with the Cabinet Office, then? Just so we know how this works. If you have only hit five, looking at what you set out, that first of all the Minister will find themselves having a discussion with the Chief Secretary, and then it moves on to the Chief Secretary, the permanent secretary and the head of the civil service, and then it talks about the Secretary of State meeting with Prime Minister and the Deputy Prime Minister. What stage is the Cabinet Office at in that process of incentives?

Matthew Hancock: I get the impression that the Minister of State's accountability is quite high on that.

Stella Creasy: We need to understand how this process of intervention will work; so what stage are you at?

Oliver Letwin: Just so you know, the Cabinet Office has not only had discussions with Danny and myself, but the permanent secretaries involved—there are rather a lot of them—have had conversations with officials in No. 10, and there have been discussions with the Cabinet Office board about this. This is being taken seriously. It is not—

Q136 Stella Creasy: So you are not yet at the stage of the Prime Minister and the Deputy Prime Minister?

Oliver Letwin: No, it has not got to that stage—

Stella Creasy: That's the next stage.

Oliver Letwin:—because most of the reasons for the slippage are perfectly understandable. But nevertheless that escalation is there and of course—I do not know whether I can convey this adequately—we are trying to be grown up about this and make this all transparent and that means we, also, have to be grown up in our relationships with Departments and not be pernicky about it and accept that there will be slippages. The big question is whether there are things that are really going wrong, in the sense that they have slipped by a week here, or a week there, or even two or three weeks, but rather is there something where there is no likelihood that we are going to remedy it soon, because some structural difficulty has arisen, and this is a tool for working through that and trying to deal with it as it comes up.

Q137 Stella Creasy: How many other Departments are in this process as well. I mean, how many others have got to that stage of intervention?

Oliver Letwin: If you look at the list—

Danny Alexander: In every case where—

Q138 Stella Creasy: So you are having the meetings with every Department?

Danny Alexander: In every case first of all there will be discussions at official level to find out the reasons, then, if necessary, Oliver and I will get involved. We also, I think as Oliver said earlier, have quarterly meetings with—

Q139 Stella Creasy: But as you pointed out, some Departments are doing better than others, so how many are at this stage, where there is now that positive intervention process that you are talking about?

Matthew Hancock: It's all on the internet.

Stella Creasy: And at what level is it going to?

Oliver Letwin: In the case of almost all Departments there have been slippages and there have been these discussions at official level and in the case of almost all Departments the results of those discussions will come up, as they did do at the last quarterly review, at the next quarterly review.

Q140 Stella Creasy: So do you feel that this works as an intervention process?

Oliver Letwin: Yes, I think it is, absolutely. If you look at the question: are we making—whether you agree with what we are doing or disagree with what we are doing—significant progress against the programme for government, I think the answer is, yes, we are, and one of the reasons we are is that this process exists. It is not, of course, foolproof; it is not

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the only reason. Many of our colleagues would be proceeding with implementation anyway, but it is a very good way of creating a stimulus for everybody to be moving along the path we are trying to move along.

Danny Alexander: Sorry, Chair. I think it is a very effective process for holding Departments to account for delivering the commitments that we committed ourselves to in the coalition agreement. I think it works from that point of view. Certainly in the early stages we will see—you will be able to judge as well as we will, because the information will be transparently available—how it is working.

Q141 Stella Creasy: We will know how many meetings you have had?

Danny Alexander: You will certainly know where deadlines have been missed and how far behind people are and that is a question I am sure departmental select committees want to ask. One thing I wanted to add, because I know you have an interest in the departmental boards—

Chair: Yes.

Danny Alexander: On the departmental boards, as they have been described and as they are now operating, the business plans are a key tool for them in holding Departments to account, too. So, there is accountability operating through these business plans at a number of different levels, both within Departments and to the centre of Government to Departments.

Q142 Chris Heaton-Harris: I was imagining the fact that, had you been at this Committee a couple of years ago, we would not have had any of these benchmarks by which to measure you, and they are quite easily accessible. I have a couple of concerns. I am not convinced all Departments are going far enough, quickly enough, and I just wonder, initially how did the Departments individually take to all this? Was there a bit of kind of Stockholm syndrome, longing for the times of old, where they were massively controlled from the centre, or were they quite happy to be given an element of freedom but with this element of very different control from the very top?

Oliver Letwin: Well, all I can do really is describe to you what it felt like from our side as we negotiated with Secretaries of State. Perhaps it is useful to say that these are not their business plans or our business plans, they are collective business plans. They are owned by the Departments but the whole Government have bought into them. It was a process of negotiation. I would be misleading the Committee if I were to say that it was a totally smooth process in which there were no discussions about what should be there or what the dates would be or anything of that sort. There were such discussions and there were negotiations, and I am sure that from time to time there were annoyances that that was going on, because busy Ministers were being distracted. But actually my impression is that departmental Ministers have come to see this process of having regular reviews and having the documents, so they know what it is that they are trying to achieve, is actually quite a useful way of managing their Departments. At least, that is

what they say to us; the Committee may ask them and find out whether this is what they say to you too.

Q143 Chris Heaton-Harris: For the purpose of this Committee, which is the value for money checker in Parliament, there is some concern—it is a genuine concern—that you are taking away a number of things that Departments have been measured by in the past. Now, personally, I think politics is all about outputs and how you measure those and share the information about those, so I am very interested in how you are going to deliver that sort of information to us, to the National Audit Office, by Department, via accounting officer—I would assume—and how the public get hold of it. We are equally interested in when you expect us to be able to see massive improvements in, say, public sector productivity. When is that going to match private sector productivity; when is the public going to see the massive improvements that they expect from the coalition, based on the coalition agreement, in those areas?

Danny Alexander: The first thing to say in relation to the first part of your question, which is about how this relates to the expenditure side of the equation, is that the business plans were drawn up alongside the spending review process and so the discussions that I was having with Departments about where they could make savings and the costs that they could incur from delivering different policies were alongside the conversations that we having at the same time with them about the nature of the business plans. There has been a very close alignment right through that process with how we develop the business plans and the allocations that we made to Departments in the spending review.

You make the comment that this is taking away information that perhaps may have been provided in the past. I think in a number of respects, actually, this is providing a greater degree of information. For example, many of the input cost indicators will be unit cost measures. I know this Committee over the years has requested more information be provided on a unit cost basis. The data on common areas of spend, which I think is a key area for understanding administrative costs, will be provided on a comparable basis between Departments. I know one of the problems that has beset people trying to understand Government expenditure on administration has been that each Department seems to describe it in a slightly different way, so you feel like you are comparing apples with pears, and it is very hard to tell. That too will help the process of holding to account. In each case in the business plan we have set out the various stages in which we intend to deliver the reforms and clearly, as those reforms are progressed, we will expect people to see the benefits of them.

Q144 Chair: If I can come in on that, the worry, which I think that Chris was discussing, is how we follow the pound in—health is the classic example—a GP consortium or in an independent foundation trust; how we follow the pound in a free school or an academy; how we follow the pound in a new directly elected police authority; or, indeed, how we follow the pound in local authorities now with the impending

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abolition of the Audit Commission. That is the only way we can judge value for money. You can get your policy intent, but how do you follow the pound in all that?

Danny Alexander: I think it is true to say that many of the reforms are creating a much more diverse range of accountabilities within the system; accountability not just of departmental Ministers at a central level, but also—

Chair: For Parliament.

Danny Alexander:—of GPs to patients, of police commissioners to their electorates, who will hold them to account in the end for their performance. In the case of the NHS, the GP consortia will have accounting officers who are accountable to or who report in to the NHS Commissioning Board. You will hold David Nicholson, I am sure, to account in his capacity as chair of the NHS Commissioning Board, just as you have held him to account over recent years as the accounting officer for the NHS.

Oliver Letwin: Perhaps it would help if I added that in many cases—I want to come back to the question that Chris was asking in a moment—you will be able to see a direct relationship at the institutional level. You will know the amount of dedicated school grant that a particular academy has received, and it is our intention that you should also be able to get, on the web, clearly and easily—we are working on this—the results achieved in that academy. So if you want to do it academy by academy, you will be able to do it. If you want to aggregate across academies, you will be able to do it. If you want to aggregate across academies in a particular area compared with the LEA schools in that area, you will be able to do it. If you want to look at free schools compared with academies, you will be able to do it. Not just you but actually everybody, because our experience—yours as well as ours—is that there is a whole world out there of people who are good at mashing these things up—

Q145 Chair: Apples and pears or apples and apples?

Oliver Letwin: That will be for you to judge and others to judge. We are creating a system of democratic accountability in which there will be contestable methods of comparing these things and the truth will emerge, we believe, from that.

May I just answer the point that Chris was raising? I think we have not wholly answered it yet. You were saying, Chris, that you were really interested in the question of the outcomes achieved by Government, and that is our view, too: we think in the end we will be judged—should be judged—by the electorate and by Parliament on the basis of the outcomes we have achieved overall and then you can subdivide into specific outcomes. It is the outcome measures in here that in the end are the real test.

But—and this is a really important point, which I accept is really difficult for us and difficult for everybody to deal with—because we are building for the long term here and because we do not think that short-term fixes work, we accept that many of the things we are doing are likely to yield dividends in later years, rather than earlier ones—in some cases, alas, beyond the time of the Parliament. We hope we can show some significant progress within the lifetime

of the Parliament in many of these areas, but it is a very determined approach, which Danny and I and the Prime Minister and Deputy Prime Minister and other colleagues around the Cabinet table have taken, not to find quick-fix methods of getting good outcomes results for a period, just because of the electoral cycle. We are trying to build structures that deliver good, sustainable, long-term outcomes and therefore the progress in many cases will be relatively slow. I would ask—I do not expect to be given much quarter on this—but I would ask the Committee and, indeed, the public in general to recognise that that is the process we are going through and that this is a long-term approach.

Q146 Austin Mitchell: We are getting anxious, Chair, because politicians talk more than civil servants. But I am getting puzzled too, because under your brilliant, perceptive questioning, and that of Anne, this concept is becoming more and more nebulous. Oliver tells us they are what they are and not what they claim to be in the title “business plans”. He is also telling us it is a means of keeping Departments accountable, whereas the civil servants told us that transparency can drive development. So the purpose is to make information available to us—that is the Committee—to Departments and to the public at large. Transparency is the driver, not accountability or instructions from on high. I put it to you that they are really a gloss on a mess. In other words, these business plans were arrived at after a process of cuts that was massive and lacerating and that was not rational at all—it was a panic measure—and Departments are then invited to go away and form a business plan around that.

I will give you an example. Danny’s distinguished predecessor, David Laws, recounts in his book that he wanted cuts in the Ministry of Justice, so he rang up Ken Clarke, who was, I think, driving his taxi at the time and says, “Look Ken, can you take a cut that is 50% larger than the one we told you you are going to have?” I forget the proportions. And Ken said to him, “Oh, sure, sure, sure.” And the Department is then forced to go away and turn that into a business plan. This is turning a dog’s breakfast into something rational, isn’t it?

Danny Alexander: Well, can I start off with that one? The first thing I would say is that I know this is not the purpose of this hearing, but I think I should just for a second defend the spending review, because we did, as a Government, come into office with the largest budget deficit this country has ever seen—

Chair: You do not need to say that in this—

Austin Mitchell: Oh, woe, woe.

Danny Alexander: The rational response to that was to try and put the country’s finances back in order, but no one wants to enter into that debate. But I think in a sense both—

Chair: Keep out of that.

Mrs McGuire: Skip to the next page.

Danny Alexander:—the business plans are about both accountability and transparency. They are about accountability in the way that Oliver and I have tried to describe—

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Q147 Austin Mitchell: They are an attempt to put a public relations gloss on something decided by negotiations, pressure and irrational haste.

Danny Alexander: No, they are not. What they are doing is setting out the reforms to public services that we think are right and necessary to both increase accountability to individuals and to communities, and to ensure that we deliver better results with less public money. I think there is a sort of philosophical difference between this Government and our immediate predecessor in that we do not believe that the way to improve public services is simply by pouring more and more money in through a funnel controlled in Whitehall, centralised here, with minute scale control—

Q148 Austin Mitchell: What was with all the platitudes? What you are doing is—

Danny Alexander: May I answer the question? And then by all means come back.

Austin Mitchell: Well, I do not want to put you—?

Danny Alexander: So what we are seeking to do with many of these reforms is to increase accountability to individuals, to communities, to decentralise power to frontline staff so that they have more freedom and responsibility to deliver the better public services that they know that they can, freed from the centralising control of huge numbers of targets and agreements and so on and so forth.

Austin Mitchell: Which Oliver tells us is going maintained through these business—

Q149 Chair: Can I just come in on one thing there? We have got 17 plans, according to the NAO; 1200 reform actions, whatever they are; and 600 milestones.

Oliver Letwin: Yes.

Q150 Chair: Are you prioritising between those?

Oliver Letwin: Sorry, we have a programme for government—right or wrong. I am not asking Austin to buy into our programme for government; he and I have agreed about one thing and disagreed about everything else for as long as I can remember, which is fine. But it is our programme for Government, right; it is a product of the coalition.

Q151 Chair: So they are all equally—

Oliver Letwin: Exactly. We have an obligation to the public to put that programme into action, we believe. Now, of course, as in any vastly complex and arduous undertaking, there will be some things that encounter one kind of difficulty or another and there will be adjustments as we go; of course there will. We are quite grown up enough to recognise that, and, of course, there are some things that matter even more to us than others do. But the fact is the whole of that programme matters to us and we are trying to implement the lot of it. I know it may sound strange, but I have, as Danny knows, on the whiteboard in my room—

Danny Alexander: He does.

Oliver Letwin: I have a list of all the things we are trying to achieve.

Q152 Chair: What, all these actions?

Oliver Letwin: All the substantive changes that we are trying to achieve, I have a list of and I spend a lot of time—and so does Danny—trying to make sure that we are doing it. Now, once you have a programme like that, obviously you have to try to break it down into steps, if you are serious about it; it depends whether it is a joke or serious, but if it is serious you have to break it down into steps and you have to work out with the people who are responsible for implementing it about how long it will take them to do each of these things, not trying to be ludicrous and play games with dates, but trying to get it right. Then you have to be reasonably flexible, but at the same time, reasonably dynamic in making sure it occurs. If you are trying to plan a campaign like that, that is the only way you can rationally proceed.

If I could just clobber one mythology before it gets going with the brilliance of Austin's rhetoric, first of all the prototypes of these plans were developed when we, the Conservative party, were in opposition, long before the spending review was even thought of, and, indeed, at a time when the Government—

Austin Mitchell: I want a scale.

Oliver Letwin:—appeared to be very rich and was spending an enormous amount of money. It was developed out of what was our programme.

When we came to a coalition Government and we created a programme for government, two very important things changed. One was, of course, in the course of the negotiations not everything that the Conservative party wanted to do in opposition was agreed, and some things that we had not wanted to do were agreed, so we had to adjust the business plans to reflect that. Secondly, the shadow Secretaries of State with whom we had been negotiating were not all in place; some had been replaced by Liberal Democrats, others by different Conservatives, and we had to negotiate that. All of that went on in the first few months before we had got locked into the spending review proper. I am just telling you as a matter of historical fact that the mythology you have just purveyed is the reverse of the case.

Now, just finally—just so I am absolutely open with the Committee—it is of course true that once we were engaged in the spending review process, we rightly asked each other—and in discussions with the secretaries of state asked them—is everything here sustainable in the light of where we are on the Spending Review, and came to the conclusion that with some minor modifications it was. So that is the process we followed. Now, whether it is a good outcome or not a good outcome, it is not something that was manufactured—

Q153 Austin Mitchell: Are Departments competent to carry it out, because—

Chair: Austin, let Matt—

Austin Mitchell: Hang on, finish this question. Lord Adonis told us that he knew of no country which had substantially reduced costs while simultaneously cutting the Civil Service. Are you satisfied that the Departments can develop effective plans and sustain them at the same time as they are firing large numbers of their staff?

Oliver Letwin: Yes.

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Danny Alexander: Yes.

Q154 Matthew Hancock: That leads quite nicely to a question I wanted to pursue, because one of the things you just said, Danny, is that this new Government have a different attitude to the previous Government. I have been on this Committee for 10 months and, about twice a week, we have civil servants, normally sitting where you are, trying to explain what happened in some great spending catastrophe, and we watch. It is like a master-class in how not to spend public money, and aside from some of the forward-looking things that we are doing and some good examples, which do not get enough press coverage, that is what we look at. And the two things that come up over and over again are a lack of accountability and poor data.

This is not only in the public sector. We have discovered that, when RBS was part-nationalised, there were 20 different data systems on which its assets were—you will know this—recorded, and so they did not have management data. So, it has been quite encouraging to hear about what you are talking about in terms of accountability and also data. You explained that to us rather than us having to press you on where the accountability is, but my question is that under the previous Administration there were targets. Some of those targets were published; responses to the targets were, in some cases, published, so how will accountability and data be stronger than before?

Oliver Letwin: Can I answer part of that, and Danny may want to answer the other part? And may I just preface what I am about to say by revealing to you the most important fact I have discovered in the last 10 months sitting on the other side of the fence? There is incredibly little good quality information in Whitehall, at the centre of Whitehall, about what is going on in Whitehall. I have laboured mightily—and not yet wholly successfully, though we are well on the way—to do something that I was really, genuinely astonished to find we were not able to do, and there was no system that we inherited for doing it, which is to find out what the Government are doing by way of regulation. You might think that there would be a perfect database, not of some complicated external realities, which, God knows, it is difficult enough to get, but just of what the Government were doing, and there was not. We are now close to having such a database. That is just one small example of the problem of getting good information at the centre about what is happening around this very complicated machine, and it is crucial and part of our task.

You were right that we have got rid of a whole series of targets, and the reason we think that accountability—which, incidentally, is the flipside of transparency; we see accountability and transparency as one thing just looked at from two points of view—the reason we think we would get better transparency and better accountability is because we will provide a much higher level of detailed information on outcomes and inputs. And if you know inputs and you know outcomes, then it is possible for you and for those working for you, and for those who are nowhere near this building but are sitting in deepest, darkest Oxfordshire or Sussex or Glasgow, to look at the

internet and start mashing this stuff up and start producing comparisons that may be very uncomfortable for us. And we want to give them that capacity because we think we will learn from it and we will be able to improve matters if we get that kind of information.

Q155 Matthew Hancock: So, are you saying that that sort of data do not exist for internal management purposes?

Oliver Letwin: That is correct.

Q156 Chair: What sort of data don't exist?

Oliver Letwin: If you asked whether, at any time in the last 50 years, it was possible for the Prime Minister of the day to ring someone up and get easily, like that, the amount that goes into each school, the upshot of each school, and so on and so forth, in a readily digestible form that enabled him to make all sorts of comparisons, the answer is, most of the time, it wasn't.

Q157 Matthew Hancock: And are you using schools there as an example or as the worst case?

Oliver Letwin: Just as—

Chair: I have to say to you, I really must, as an ex-DF—

Oliver Letwin: One example among hundreds.

Chair: There was a lot of data published on money going to individual schools and results in individual schools.

Oliver Letwin: There are massive data

Chair: It may be not useful to you but it was there.

Q158 Matthew Hancock: My question was about management information—that is what I am talking about. That is being able to use data in a useful way.

Oliver Letwin: That is what there is not much of.

Danny Alexander: Just to say directly to that that the Treasury is leading a financial transformation programme, which is bringing together a lot of work that is already going on to improve the financial-management information that is available to Government, and it includes something called Project Oscar, which is about replacing the Treasury's public spending database. I think your analysis is right, which is that, of course, there was an awful lot of information. I think that, looking at this Committee's reports over the years, I get the fact that many of you would think that the quality of that information was deeply variable. Often it was not on a comparable basis; it was very hard to tell from one Department to another whether you were looking at the same sort of information. And so it is something that we are taking incredibly seriously to improve the quality of information, improve the comparability of information, and, as Oliver says, to improve the transparency of information, all three of which, I think, are important tools for accountability.

Q159 Chair: Can you give me some assurance that it is not going to be death by data, but that it is going to be information that organisations, individuals, citizens can actually make sense of?

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Danny Alexander: There is a huge range of sorts of information and data that can be provided and, obviously, in the business plans, we are seeking to set out input-cost measures and impact measures that are clear and simple and transparent, but because a dataset like, say, the COINS database is not immediately accessible to every member of the public, I do not think it should be something that inhibits the Treasury from publishing it; what we have found is that there are organisations out there who will take the data that is made available, as in the COINS database. In the case of the COINS database, it has been turned into a fantastic website that looks at, and makes transparent, information on spending. So, it is not always going to be the Government who take that richness of data, albeit that it is complex and in forms that require a great deal of processing and turns them into something useful, but just because we do not necessarily have the resources to devote to that task, in the case of the COINS database, for example, does not mean we should not make that public, because it will, in the end, find its way into useful datasets.

Q160 Chair: I think all of us welcome greater accountability. Everybody welcomes that; it is just that it's got to be intelligible and, if it is not intelligible, it ceases to be useful and it may hit the same objections that you have to the data that were collected by the previous Government.

Oliver Letwin: I am sorry to labour the point but I want, in response to that, to amplify what Danny was just saying. We think we have a responsibility to ourselves, because we want to get at it, and to you principally, but others as well, to produce impact data and outcome data that is readily usable, readily comparable: you can see how the administrative costs are looking across comparisons that are sensible; you can see what outcomes there are, how they are moving, in a sensible way. We think we have that responsibility, but, actually, we are really in an internet age—and I am not sure we have collectively yet caught up sufficiently with this—in which people will do much better things with this data than we can do ourselves. And what Danny is saying is it is not peripheral, it is not an add-on; actually, when you look at what people are already beginning to do in just a few days with the crime maps, you discover the power of this. Once people have that power in their hands, they will start to use it and they will produce conclusions that are uncomfortable for us, and that is good for us.

Danny Alexander: By way of an example—and this is not by way of a Treasury endorsement by any means, but as an example—wheredoesmymoneygo.org is a website that has been set up to help taxpayers understand where their money goes, which has taken primarily data from the COINS database and put it into a form that people can use, but that simply was not possible when the COINS database was kept secret. Now, there are limitations to the amount of work the Treasury can responsibly spend public money on making the COINS database intelligible, but this is an example that shows that there are people out there who will do that for us. And across the datasets that are being released, I think you

will find more and more of that sort of thing going on—as Oliver said, with the crime maps, with transport information; all sorts of things—where the data that is released is made use of in interesting ways.

Q161 Matthew Hancock: Sorry, I go back to my original question, which is: how much does the replacement of the old PSA targets with the new business plans enhance that process?

Oliver Letwin: That is a really central question. So, I think it is a question of two models. Under the first model, the Government set out a set of outcome targets and then, in some way which they do not specify externally, they manage, so far as they can, to reach those outcome targets. Because those targets are typically set on particular dates and so on—this is for events in the outside world: the number of people that get hip replacements; the waiting-list time; the number of people getting a particular grade in primary schools—whatever it may be—and once you have those targets, of course the whole machine of the state comes to bear and, if it is Wednesday and, on Friday, there is going to be a target missed, there is a huge effort to do something, pull some levers, send some people out, to make sure you match that target. Our analysis—obviously a debatable issue—is that that leads to short-termism and, ultimately, to poor long-run performance.

What is the alternative? The alternative is that the Government set out, in a very clear-minded, extremely acceptable way and very transparent way, the things that are under their control—the administrative changes, the legislative changes—and hold themselves to account for doing that. It also sets out very clearly the inputs and the outcomes that are achieved and then allows others to judge whether the mix is good, bad or indifferent in any given Department, at any given level or across the whole. And we think that creates a good long-term incentive for Government, which is what is in the public interest, of forcing us to attend not to whether this particular thing has happened on this particular day, but whether the long-run trends in all of these many areas are moving in the right direction. It also enables you and others to judge that and to haul us over the coals, if you think we are not doing that. And you could look at inputs and outcomes and say, “They do not seem to match”.

Danny Alexander: And can I just add that I think that is particularly important from a spending-control perspective, because I suspect that the sort of process that Oliver described in relation to the sort of old mechanism often would drive, in the short-term, their decisions to try and shovel more and more money into something in order to just inch it over the line. And in an environment where public spending is rightly constrained and where Government need to focus—and Government, I think, should always but certainly in these sorts of moment focus—on input costs, thinking through the reform programme that delivers the outcomes is essential to ensuring that we maintain close control over spending over the next years.

Q162 Matthew Hancock: The fact that we have already had an exchange about the Cabinet Office

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missing some of its targets and the Treasury missing one shows that there is effectiveness to the publication of that sort of data.

Q163 Nick Smith: I absolutely accept that the coalition Government took time to get on their feet and to get their act together. Having said that, six months' real time should have been enough to come up with draft examples of your outcomes and costs. You have not done that yet. You say you will have it by the end of this financial year. Give us some examples of the outcomes you anticipate that will not be short-term, that will be meaningful, and that electors will understand.

Danny Alexander: In fact, in the draft business plans, there were set out a whole range of input and outcome indicators that were proposed by Departments. So, in each and every one of the business plans that were set out, there are a range of proposed measures where they are open to consultation, and that consultation process finished last week. A number of departmental select committees—for example, the BIS Select Committee—engaged very closely with that Department on the correct choice of indicators. The Departments are currently working on refreshing their plans and working their revised lists of indicators in the light of that consultation. That will come to us in the next two or three weeks and will inform the discussions that we then have about the finalised business plans for April.

So, it is wrong to say that we have not come up with lists of potential outcome and input-cost indicators; they are all in there, in the plans that were published, but it seems entirely right and sensible that there should be a process of consultation with stakeholders, with the public, with Parliament to ensure that, when we press go on the indicators at the start of the next financial year, we have a set of measures that, first, we can all have available from the very start and, secondly, on which we have engaged with interested parties to make sure that that list has been robustly tested.

Q164 Nick Smith: And how easily will you be able to explain the £8 billion planned savings in clinical efficiencies in the health service plans?

Danny Alexander: Do you mean through those indicators?

Nick Smith: Yes—easily?

Danny Alexander: I am not sure the indicators are there to explain how we are going to make savings; the indicators are there to show what is happening to input costs, often on a unit-cost basis. It is there to show what are the impacts that are being felt in the community, in the different areas that we are measuring, and I am sure that how you find the £18 billion savings will be clearly explained as you go through your regular sessions with David Nicholson and with the permanent secretary in the Department of Health. That is where that accountability happens.

Oliver Letwin: I think it is important that you understand where this lies, as we see it, in the process of your proper and necessary investigations. You will be able to see from this what the structural changes that we have made are and whether we have made

them. You will be able to see what the inputs are and you will be able to see what the outcomes are. You will, of course, be able to see in much more detail both inputs and outcomes by interviewing the Department in any given case and, in your case, the Department of Health. But you will also then be able to see the common questions that are not here, which relate to the linkage between the inputs and the outputs. What we are doing here is to provide you with the starting point for that investigation, because if you see that the inputs are, in a particular domain, going up a lot, but the outcomes are going down a lot, you will want to focus on that domain. If, in another domain, the inputs have gone down a lot and the outcomes seem to be improving a lot, you may not want to focus on that domain. So, this provides you with a basis for the detailed investigation of the linkages. We, meanwhile, of course, are working very hard also to investigate those same questions, so this is useful for our purposes, for the same reason.

Danny Alexander: And it is worth just adding to that, if I may—sorry, Chair, I know we need to move on but, in many cases, the input-cost indicators that are proposed and the impact indicators that are proposed are closely linked. So, in the Department for Transport business plan, it is proposed that they have an input-cost measure of the costs of the maintaining the Highways Agency's motorway and A-road network per lane mile, and the impact indicator on the reliability of journeys on the Highways Agency's motorway and A-road network, where you will quite easily be able to take both sets of information, compare one to the other and either form conclusions or interrogate Departments on whatever it is you think about that.

Q165 James Wharton: I have just one related question to what we have been talking about, and then I would like to go off in a slightly different direction, which is just about making vast amounts of data available to the public; it is quite an exciting innovation that we are interested to see how that works, but is there a danger with that that, when you provide information on whatever it might be—police reports—that a group with a particular interest then start a campaign to get something else recorded. I know that one of the complaints that I get from police officer is, "Well, we have to fill out all these forms and record all this information". If you create a thirst for that data—whilst, obviously, the Government is very clear it is against regulation—you could create red tape by measuring additional things. How is the Government going to resist the pressures to say, "Well, can't you provide this? Can't you measure that? Can't we increase the data we record on—?" whatever it might be.

Oliver Letwin: I think that is a serious issue and one, in fact, we have quite intensively discussed. And it is a balancing act. It is a balancing act that is not based on a static position, because, as we find better ways of enabling people—in some cases, literally, better technologies—to record things more easily, we can release more information without imposing additional burdens. And in quite a lot of domains at the moment, there are still antiquated systems of recording. Some

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of your Committee's advisors have commented on this in the past and they are very knowledgeable about it. And where we can improve on that and, therefore, make it easier to reveal more information without imposing additional burdens—and, indeed, in some cases, rather reducing burdens—we wish to do so. But there will come points at which there are tensions here, and so we have tried to focus on kinds of information that are really important to make the kinds of decisions people want to make. If I could just refer to two specific kinds of example, I keep returning to crime maps, because it is incredibly important that Mrs Jones and her neighbours know what is going on on their street and in the neighbourhood, so that they can hold their local police to account and make decisions about whom they vote for as police commissioners accordingly.

But it is also, if I am a patient, the case that I want to know what the outcomes are that I will get from different GPs, judging by their record, which should be transparent, therefore, and when I go to the GP and work out with the GP where I might want to have, say, my hip replaced, what outcomes I can expect in all sorts of senses: the patient-reported outcome that we are working on, having that information transparently available; the objective information about the time it took to get the operation; the objective information about the cure rates; the objective information about what will happen post-operation.

Now, those sorts of pieces of information are not interest-group-derived; they are derived from our sense of what people need in order to be able to make choices, hold things to account and so on, and that we will not compromise on. Where people have extra pieces of information that they want to get for some particular reason of the kind you are talking about, we will try to oblige but always balance that against the knowledge that we may otherwise impose—if you do too much—too much burden on the producers.

Danny Alexander: It is also worth saying that Departments are spending time evaluating the datasets that they collect to make sure that they are collecting data that is necessary and not imposing unnecessary burdens. So, the NHS White Paper, for example, announced a review of the datasets that are collected within the NHS to see that they have strategic fit, if you like, with priorities. The DCLG is doing a piece of work to go out with a single list of all the data that central Government require from local government, to then be co-ordinated through a single gateway, the purpose being, firstly, of course, to make sure we are collecting the information that is necessary, but secondly to make sure that we are not placing an unnecessary burden on local authorities. And of course, once that is established, if Departments then want to collect additional information from local authorities, that will be imposing a new burden, which will have to be dealt with in the normal way.

Q166 Chair: I think there will be a vote soon. I do not know whether we can get through it before; we may have to come back. Let us see how we go.

Amyas Morse: Sorry, I will just ask a very quick question. You have mentioned a different presentation

of data and being able to see from the top to the bottom, and you've got a project working. This is all dependent on a very large IT programme, is it? I am a bit struck by the difference between the sort of information we are talking about and the sort of quality and consistency of information that is available now. How is that leap of quality and availability going to be made, can I ask?

Danny Alexander: First, it is not all dependent on some giant Government IT programme that we have been keeping secret—I promise you that—and if it was the new major projects authority, which we are establishing, that will have a role from the start to the finish of the project to make sure that, if the Government ever decide to come forward with a giant IT scheme, we will manage it properly.

Chair: We will hold you to account for that, Danny. That is a jolly dangerous statement.

Danny Alexander: The purpose of establishing the authority is to do that, but that—

Amyas Morse: It just crossed my mind as you were speaking.

Danny Alexander: But that is not the question. In terms of the quality of data within the Government and the comparability and so on, the project that we are operating through the Treasury, particularly the Project Oscar, will be important in ensuring that the quality of data of the sort that I think you need is improved.

Oliver Letwin: Can I just offer the observation? I am very conscious that I am teaching grandmothers to suck eggs, but I have been really astonished by some of the assumptions I have discovered in Whitehall about how complicated it is, not in 1920 or 1990 or 2000, but in 2011 to gather data virtually real-time and be able to interrogate it relatively easily. There is this thing called the internet, which is jolly nifty: we do not have to pay for it or buy it or invent it; it exists. Actually, with a quite simple PC, you can enter data into it pretty easily. People know how to mash it up extremely well. And I keep on finding, genuinely, cases of the assumption that it is complicated or expensive. It is neither.

Q167 Mr Bacon: Can I ask you about this, because this fascinates me? One of the things I have been intrigued by for years is how the Government manage to get things wrong so often, particularly because the civil service hires many of the very brightest people in the country, and there is a great paradox here that, despite hiring the brightest people in the country—

Chair: Especially in the Ministry of Transport.

Mr Bacon: We have discussed this with Gus O'Donnell—nonetheless, they manage to get things wrong. And I think probably part of the answer is that they are hired on the basis of their cognitive ability for playing with ideas rather than their ability to make things happen and get things done. The capability reviews that the Cabinet Office did, which you will be familiar with—the National Audit Office did a study on them—looked at 10 criteria across 17 Departments and, in those 170 cases, in two thirds of them Departments were less than well placed. If you are prevented somehow from delivering the outcomes that you are after, it is likely to be because of these basic

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failures in things we have seen many, many times—in HR management, finance management, IT management and so on—where there are basic holes. How is it that these basic holes have been allowed to sit there for so long with all these incredibly bright people?

Danny Alexander: I am sure Oliver will have a view on that.

Mr Bacon: And I do want to ask Oliver about it as well because Oliver was in Whitehall in the '80s, so it should not be completely a surprise to him.

Danny Alexander: I am quite sure that there will be mistakes made under this Government, just as there have been under previous Governments. I hope these new mechanisms will help to catch them early, but they will certainly be made. One of the things that we have identified in the Efficiency and Reform Group, which we have set up to try and look at some of these issues from the centre, and the Efficiency Board, which Francis Maude and I chair, is particularly weaknesses in project-management skills, for example, and I think that is something you have identified as a Committee over the years too. And that is an area where there is clearly improvement needed in terms of training and in terms of recruiting people particularly with those skills, making sure that they stick with projects throughout rather than changing the senior responsible officer every six months on a project, so you have people who take responsibility, who have the skills, who see the projects through. Now, that, of course, is going to take some time, your point is absolutely right.

Q168 Chair: You say it takes time. It is a consistent finding at almost every ruddy report that we do.

Nick Smith: Absolutely.

Chair: And I have to say we had Gus O'Donnell giving us evidence saying, for example, on project-management skills—in a sense, it was a rather gloomy bit of evidence—where he said, "You'll never have them within the Civil Service because we don't pay enough, so we'll never be able to." Our Government tried to train project managers and we failed. What is going to change under what you do, given this negative view we had from the Cabinet Secretary?

Danny Alexander: It is also part of the reason why some of the changes we are making are to do—and I mentioned the major projects authority—with having a central pool of skill and experience that can help—

Q169 Chair: Are you going to pay them more?

Danny Alexander: There isn't a lot of money around at the moment but we do—

Chair: No, quite.

Danny Alexander: So, I have to sign off every single public servant where it is proposed to pay them more than the salary of the Prime Minister, and there isn't a lot of money around.

Q170 Chair: So, does that mean no or yes?

Danny Alexander: No, no, but there are good people within Whitehall, actually, who do know about this, and what you would find, if you looked at particular Departments—I have one recent experience in mind—is that you have some very good people with very

good commercial experience and knowledge but they are not necessarily working on the projects that are highest-risk or have the most need of those skills. And so, part of it is about aligning the skills that do exist, either through a central authority or within Departments, with the areas that are riskiest to make sure that the right skills are being applied to the right things, and those risky projects might not be the most—

Q171 Chair: I have to say that Gus O'Donnell's view was really that you could not do it, unless you paid more. He said, even if you train them up, you would lose them because they could go and work for maybe a company that I used to work for at triple the salary.

Oliver Letwin: Can I just offer an observation on this, which is about us as politicians and a Government rather than civil servants? Actually, a lot of this is about, we believe, not trying to do things that Government are not good at doing in the first place, and that is a political decision that is our responsibility. And a great part of this programme is about trying to push power out to places where people can exercise it on the basis of contestability and accountability directly to the people that they are serving, precisely because we do not think that we, as politicians in particular, are particularly well placed to manage things a long way away in hugely complex organisations. And so part of this is about modesty, if you like, of approach.

Secondly, coming back to the earlier point that the Comptroller and Auditor General was raising, it is important that we recognise that a lot can now be done fairly simply and fairly cheaply, and often the best is the enemy of the good in these matters. You can get a pretty good approximation to a good database without spending anything at all these days. You can get messages out to people without spending anything and so on.

Third and, I think, crucially, I think it is really important that we do not underestimate the Civil Service. Actually, I think that there are very talented people who are very capable of one particular kind of thing, which they came into the Civil Service to do, which is to help us structure policy and implement it in a way which will enable other people to do jobs well. If you try and turn them into amateur managers of this or that, it will not work, but if you get them to help you design structures within which professional managers can answer to the needs of the people that they are serving, I think they are very talented and very serious.

Chair: I am sorry, we are going to have to reconvene, because there are a lot of people enthusiastic to put other issues to you. Thank you.

Sitting suspended for a Division in the House.

On resuming—

Chair: I will let Richard just come in with one thing he wanted to pursue from where you were.

Q172 Mr Bacon: I would just like to pursue further this question of capability inside Departments and capacity. I have no doubt at all it is a mistake to underestimate the skills of the civil service. As I said

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in my own first question, undoubtedly there is no question about this: anybody who encounters top civil servants is repeatedly reminded of this. The civil service hires many of the brightest people in the country and there is no question about that. Whether they are the right people to do some of the jobs or whether they are given the training and their formation in their careers helps them do what it is that they need to do is a separate question from their overall level of intelligence.

But what interests me is you've got this enormous swirling programme of change inside government, whether it is in local government, whether it is in the health service, whether it is in schools and many other areas—police, someone mentioned earlier—and you said in answer to an earlier question that it will not work if you are trying to turn these top civil servants into amateur managers, and yet there has to be, if this is going to work within this tight envelope of spending and the cost reductions that have to take place, some expert management going on if this de-layering is to happen in the right way. What are you doing to reassure yourselves that the right skills are there in the Departments to make this happen? Because it is not obvious to me that the right skills are there.

From what we have seen, from the NAO's reports that it has done—it has done a whole suite of studies on financial management; IT, we have already spoken of. By the way, you do have a big IT project up your sleeve—it is called the Universal Credit—although I am not sure if anyone has yet seriously got to grips with how that is going to pan out in terms of the IT implications if it is to be truly simplified. Certainly the computer journalists I talk to about it do not seem to think anyone has. But what evidence have you got that the skills that will be required exist inside Departments to make these things happen in the right way?

Oliver Letwin: I am sure that Danny will want to say something about the question of the de-layering and the skills—human resources skills—which are very much his and Francis's domain. But I think I can best answer your question by illustrating what I was trying to get at in a previous answer, which sort of deals head-on, I think, with much of what you are raising. I think we could take many cases, but let us take one case, which is the question of the planning system in the sense of town and country planning. Although I am sure that many people in Parliament and around the country have differing views about exactly what is wrong with it and exactly how it should be changed, I think more or less everybody agrees it is not in a terribly good place and has not been for a very long time. This is not a partisan remark about this regime or the last regime.

Now, we could have brought forward a set of changes or proposed changes to that that would involve very detailed interventions—there are already some—in every local plan, and we could have tried to create an Office of Planning with a civil servant running it and vast armies of people underneath that, so that we were trying to plan correctly for each neighbourhood. I personally, and governmentally, I, and we, do not think that would be the right approach, for other reasons, but quite apart from that, just in terms of the

concerns of the Public Accounts Committee, I think that would have failed magnificently because that sort of activity, I doubt we have the people to do. But that is not the choice you have made. The choice you have made is, on the contrary, to say, within a framework of rules, which we think civil servants are very well able to advise us on the construction of, that local neighbourhoods should go about organising the production of their own plans. They would have the power to do so.

Q173 Mr Bacon: Can I stop you there? Because I fully understand that. Last Friday, I sat in with my local market town parish council, Diss town council, with all the neighbouring villages, and they want to get a neighbourhood plan together, and it is perfectly obvious that they are better equipped and incentivised to do that than anybody else on the planet—granted. But that is not really what I am talking about: I am talking about these big changes, where there are large amounts of money and large amounts of people currently at the centre, whether it is in health or whether it is in education, where, yes, there will be big changes.

To take the example of academies, we had evidence from some of the academy providers—Ark and one or two others—who were stunning: some of the best, most impressive witnesses, most credible witnesses I have ever seen in 10 years on this Committee. When we got to the Department and the civil servants, it was not transparently obvious that they realised there was still, notwithstanding all the autonomy that would be created and granted to the academies, an underlying requirement to have accountability, because it was public money, back to Parliament. It seemed to almost have escaped them. It had to be really set down in black and white by the Comptroller and Auditor General, actually, in that hearing, as well as by members of the Committee.

And then one gets into the risks of these things, and there are major reforms—obviously, we have looked at the health landscape—major reforms afoot in health, which may or may not deliver the outcomes that we seek. Let us hope that they are successful, but it involves huge risks. But the departmental business plans do not seem to go anywhere near risk. Their Permanent Secretaries are now supposedly having risk for breakfast, lunch and dinner; they have risk tattooed on their eyelids; they have to sign statements from internal control in which they say that they have taken account of all their risks, and this process that we are discussing today, which is an interesting process, does not seem to go anywhere near that issue, which is the whole issue of risk management, which is incredibly important for whether these things are successfully delivered or not.

Oliver Letwin: I am happy to discuss any case, of course, you want to pursue, but let us take the case of the school changes that you are talking about. Of course, it is the case—of course, it is the case—that, when a pupil and that pupil's parents choose to go to an academy and take with them the Dedicated Schools Grant—taxpayers' money—it is appropriate that there should be a system for accountability; of course it is. What is the system that we are setting up for

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accountability? It is the transparency of the results and the ability of entrants to enter that open network of schools and contest—

Q174 Chair: Can I just interrupt? We are value for money and that is not financial accountability, and that is the worry through a lot of these reforms. A child may do really well in an academy. The academy's finances may be all over the ruddy place—they have overspent—

Mr Bacon: You are talking about customer accountability.

Oliver Letwin: Forgive me, but it was only because I was prevented from continuing my remarks that I did not get to the point of answering your, as it turns out, question. The only money that the academy will have is the money that it gets from the Dedicated Schools Grant, and as well as being accountable to the parents for the performance and to the choices that parents make, which will ultimately determine how many of these Dedicated Schools Grants get to it in a marketplace—a contestable marketplace—as well as that, the school will have to control its finances, because otherwise it will not have enough money to continue its activities. This is familiar to us in all other contestable marketplaces.

Q175 Chair: And if it doesn't?

Oliver Letwin: And we have attended very closely to the question, which is a policy question and is a structural issue: “Does there need to be a continuity regime” or “failure regime”—however you want to put it—“which is available to make sure that, if that goes wrong, steps can be taken within the system to put that school in a better position?” And we have, as a matter of fact, consulted many people, including some present in this room, about what those continuity regimes might look like in general, and we are working with individual Departments—in this particular case, in Education, but also in Health and in many other domains—to get them to establish proper continuity regimes. And the point I am making is that, if you are looking for value for money at the level of the individual institution, we are creating circumstances that mean that the people running that particular institution, that school, that hospital or whatever have a strong incentive, both to control their budget and get good outcomes. That is where that comes to bear.

If you are looking for value for money across the system as a whole, the question is whether, within that contestable arrangement, the outcomes compared to the inputs are getting better. Now, those are two kinds of judgment you can make. It is not the same as micro-managing this and it does not require someone in Whitehall to do what I do not think anyone in Whitehall—

Q176 Chair: I think you are not answering the question. What happens if the school overspends or fails?

Oliver Letwin: The continuity regime comes in to play.

Q177 Chair: And who runs that? So, who is acceptable?

Oliver Letwin: In each case, the continuity regime will specify who takes over and under what circumstances, and how the management is replaced and by whom, and whether, for example, another school comes in and takes over and helps run it until it gets better, and so on. That is what continuity regimes that we are designing are designed to do.

Danny Alexander: May I add something? Quite a few things have been said and I would not mind just adding to one or two of them.

Oliver Letwin: I am sorry.

Danny Alexander: No, no, I do not mean by you, necessarily, though, in many cases, by you. On the continuity regimes, it is a very important piece of work that we are doing as part of the public service reforms because, in a whole range of different areas, we need to make sure that if there is individual institutional failure, either in terms of outcomes or in terms of finances, there are regimes in place that ensure that there can be a continuity of service for the public, or the users of the service, whilst whatever change that needs to take place takes place. And clearly the nature of the change to take place will depend a lot on the risk appetite that we have different areas of the public sector. Because that is a very important piece of work and it is a piece of work that is underway at the moment, we have been engaging with a whole range of experts in the area, including regulators, and including the Comptroller and Auditor General. We have asked advice from the NAO in these things too, so we are working very hard to make sure that the principles that we set out for how these continuity regimes work deliver answers to some of the questions that you are quite rightly probing.

On the academies specifically, which you mentioned, clearly headteachers are the acceptable officers of academies, and the Department for Education funds those academies according to agreements that are set out with them. The Department for Education and the accounting officer, clearly, can be brought before you, as can the accounting officers of any individual academy, and I think that you have made some comments about the financial accountability arrangements for academies. The DfE have given the YPLA—the relevant agency—the funding agency—a remit to work on and develop the academies' financial relationships with Government, so that some of the things that you have raised can be addressed in the next academic year. So, no doubt you will talk to them about that again, but I hope you will find that some of your comments have been addressed in the financial handbook that is being developed for those academies, to make sure that the financial accountability is properly in place.

The question about risk is a very important question, and certainly in my work in the Treasury in terms of making sure that Departments live within their Spending Review settlements, understanding where the risks are in terms of public expenditure is critical to this and, in fact, not only do Treasury spending teams keep in touch with Departments on a day-by-day and week-by-week basis, and report to me on what they find, but I am about to start a process of

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examining Department spending plans to ensure that they are able to live within their settlements. There will be a meeting shortly of the Public Expenditure Committee to look at that, and I will be meeting, based on where I identify the major risks as being, with the relevant Secretaries of State to make sure that, from a Treasury control-of-public-money point of view, that Departments have plans in place to live within their Spending Review settlements, both in the simple arithmetical sense but, more importantly, in the sense of being able to deliver what they have promised within the amount of money that we have made available.

Q178 Stella Creasy: I have been involved in business planning in a local government level, and actually one of the things that we did was to have a risk-management grid, and I do not see any of that in this. Things will happen that will knock you off course. What planning are you doing for your ability to actually deal with that, and will that be public data? Because I have not seen anything approaching a kind of risk-management data. So, what happens when you do find academies have a variation in the way in which they deal with finances? Where is the evidence that you are learning from those experiences and you are planning for things that might go wrong that might knock you off course?

Oliver Letwin: I think that the origin of your question is a very fundamentally different understanding of what we are trying to achieve than we are actually engaged in. You are asking how we are going to manage the risk of an academy.

Q179 Stella Creasy: No, no, I am asking how you are going to manage risk. To give you an example, in local government, we would look at a range of policies that we were trying to introduce and a range of milestones that we might have set, and I have to say I would have been worried if half of our actions had no milestones at all, but that is your whiteboard. But we would say, looking at all these things we want to achieve, what are the other things that might happen that would also stop us achieving those, and what are we doing to address those? So, whether it would be a big financial crisis, whether there may be a natural disaster, whether something would happen to the town hall ICT system, for example, where is your risk-management process that allows you to be confident that the context in which you are bringing these business plans forward is achievable?

Oliver Letwin: But if what you are talking about is the business plans as opposed to, on the ground, the academies, in this particular case—

Q180 Stella Creasy: No, I am sorry, I am not actually talking about the academies per se; I am talking about that as an example of something that you would have to risk-manage.

Oliver Letwin: I understand, but you need to distinguish. Because we are trying to have open networks within which there is contest between different providers, we are not trying to manage the risks of each provider. We are trying, of course, to manage the process of change to that kind of system.

That is what these business plans are about. Now, if you are asking me whether we have got a way of dealing with the fact that some of your colleagues in their lordships' house have taken a lot longer arguing about a particular bill than we anticipated, so some other bills will slip beyond their timescales, no, we have not got a process for managing that, because you cannot have a process for managing that. You have to deal with it and live with the fact that there will be some slippage, because we live in a democracy in which people have rights in the House of Lords to talk a lot. And that is how it is, and we could have wasted a lot of time having risk-management systems for that, but it would not make any sense.

I think there is a very serious set of questions about financial risk for the system as a whole in each case, and that we are attending to in the way that Danny described. There is the serious question about the risk at an institutional level within the context of an open public service, and that we are handling in terms of the continuity regimes which both Danny and I have talked about, and I do not understand at which level you think there is not some way we are designing of dealing with risk, and I think it is because you think of a management system—

Q181 Stella Creasy: Sorry, I think you are slightly misunderstanding. The kind of data I am talking about having, and having a shared institutional understanding of, about the things that you are trying to deliver and the things that might happen that might make them more or less deliverable, and how you then account for them. That is a perfectly standard business-planning process.

Danny Alexander: May I have a go?

Oliver Letwin: Yes, please, Danny.

Danny Alexander: Because Oliver is absolutely right to say that we are opening up public-service provision, and so what we are delivering in the business plan are structural reforms. Now, there may be risks associated with delivery of those structural reforms, which clearly form part and parcel of the conversations that we have with Secretaries of State. As I mentioned earlier, Oliver and I have spent a great deal of time with Andrew Lansley and his team discussing with them the process of delivering the reformed structures to the NHS that we, as a Government, intend to deliver, and we work through those in the normal way and, of course, Departments—and I am sure you will ask the individual Departments about this as they go—will have their systems for identifying where those risks are and bringing those forward, because they will then also be risks to delivering the milestones set out in the business plan. So, if a Department, through its processes, identifies that there is some particular reason why their ability to meet a certain milestone is seriously at risk, then that is something that I would expect them to bring to our attention so that we can have discussion with them about how it is handled and how it is managed.

Q182 Stella Creasy: But you do not have a cross-departmental risk-management grid.

Danny Alexander: I think I answered that question earlier.

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Q183 Stella Creasy: You didn't. I am asking for a very specific piece of information that is a fairly standard-practice thing to do, both in the private sector and at, certainly, a local-government sector, about trying to assess the risks that you face in delivering the projects that you are trying to achieve. One of the things that keeps coming back to our Committee is where events have happened and issues have come about to Departments, which have caused problems in the value-for-money assessment that they make. So, their ability to deliver things has changed, and I am worried that you are not bringing that data. You are not sort of saying, "Do you have a list of projects on your whiteboard? Are some marked red/amber/green, for example? Are some that you think are more of a challenge than others?" Do you have that kind of overview?

Oliver Letwin: We certainly do have a view about things which are more challenging than others.

Q184 Stella Creasy: So, is that going to be published?

Oliver Letwin: No, certainly not; Departments have, as Danny says, obviously all sorts of internal mechanisms for trying to assess the risks of delivery of the things that they are charged with. We are not trying to manage the Departments. We are trying to hold the Departments to account.

Q185 Stella Creasy: But will that data be published? Will we be able to look at these risk-management grids?

Oliver Letwin: Will each individual Department be able to give you the way in which it has assessed the risk to its delivery? If you ask it, I assume it will, yes. You are a very powerful Select Committee and, if you go and ask a Department to give you that sort of information, I am sure they will come and testify, and I am sure the Permanent Secretary will, as an accounting officer, wish you to do that. And, indeed, I think you have the power to command them to do so, so that's fine, but we are not trying to manage the process.

I understand that there may be simply a very strong difference of view between us about what the appropriate thing is, but if we can leave that ideological dispute aside, as a matter of fact we are not trying from the centre to manage Departments. We are not asking Departments from the centre to manage each individual institution. We are trying to hold Departments to account for whether they are doing things, and leave it to them to plan through and manage those risks, and they are, through these structures, trying to create open networks within which individual actors take risks and manage those risks, so an individual academy will need its risk-management plan and so on. This is a really very fundamental point because I think, if I understand the genesis of your question, it is based on an assumption that Danny and I, or some other set of people at the centre, are trying to manage a hierarchy; we are not.

Q186 Matthew Hancock: So, what risks are you responsible for managing?

Oliver Letwin: We are not responsible for managing risks at all; we are responsible for making sure that the structures we put in place are adequate to managing risks. So, for example, if the continuity regimes that are put in place are not effective because we have not thought properly about the principles of them and have not negotiated them properly with Departments, and therefore when an academy falls over there is not an appropriate way of dealing with it, then I think Danny and I would be severely criticised.

Q187 Mr Bacon: That reminds me of Baby P in Haringey because, of course, Baby P in Haringey happened in a four-star authority. Everything was ticked; all the boxes were there; it was all in line; all the stars lined up; it was all perfect on paper; and yet there was a huge problem.

Oliver Letwin: Yes, the difference here is what we are trying to do is to get away from monopoly provision with all those risks inherent in it and to move to a system of contestability, where the people at the coalface have a very strong incentive to deliver, to manage risk and so on. That is the fundamental shift we are trying to achieve.

Danny Alexander: So, can I just answer your question about responsibility? I am responsible for understanding what are the risks to delivering the settlements that we agreed in the spending review and ensuring that action is taken to address those risks, so that we live within the spending plans that we set out. I am not responsible for managing the Departments to make sure that they have the plans in place; I am responsible for understanding that, keeping on top of it and identifying where the risks are, so that I can then go and have pretty firm conversations with people in the Departments to make sure that they in run have put plans in place to address whatever the risk that has been identified is.

Q188 Matthew Hancock: So, to address the specific case that came up at the start on health that the Chair brought up, you have a responsibility to ensure that risks are being adequately managed in the transition process, and mitigated where possible.

Danny Alexander: Yes, absolutely, though our responsibility is to understand from the centre what those risks are and where the greater risks of not acting and not reforming lie, and to work with the Department who is responsible for delivering the reform plan to make sure that we are satisfied that they have got a grip on dealing with those questions, and I believe that they have, very firmly.

Oliver Letwin: May I just add, because this is very important? Going back to something—I think it was you, Chair, who said a long while back in the conversation about David Nicholson's remarks. I hope you will ask David Nicholson formally—and we shall certainly go back and ask him formally—this question: given the envelope of money that is available, which is broadly real-terms-constancy, and given the increasing demands on the health service, is the greater risk to leave things as they are or to make the changes that we plan? And I understand from our conversations with him that he is very clear that the

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greater risk would be to leave things as they are, and that is a very important point.

Q189 Chair: I will look back at our transcript, but I am not sure that he actually said that.

Oliver Letwin: Why don't you ask him that question—

Chair: I don't think we framed it precisely in that way.

Oliver Letwin: Why don't you ask him that question specifically?

Danny Alexander: I gather he attends reasonably regularly so you will have another chance.

Q190 Chair: Pardon? I know, he does. Now, I will let Jackie, who has been waiting really patiently, and then I've got three or four issues very quickly, because we have kept you for a long time.

Q191 Jackie Doyle-Price: I just want to come back and try and understand something that Danny said just before we broke, when we were talking about the lack of project-management skills in the civil service, and I have lost count of the amount of times we have seen that really jeopardise value for money in this Committee. And you mentioned that there really wasn't very much money around, and that is where I would particularly like to challenge, because is this not somewhere where we need to spend more in order to save? And I just want to highlight two examples to you, which is why I have come to that conclusion. The first is that Nick Macpherson has told us that we've got a lot more financial efficiency since the civil service invested in financial discipline more effectively. And the second one is: when you look at the failures of this project management, the amounts of money that it ends up wasting are horrendous. This week alone, we published a report on the M25, which shows that a nine-year delay in managing a project has actually cost £1 billion to the taxpayer. Isn't this an area where more money spent would actually deliver, in the longer term, better value for money for the taxpayer?

Danny Alexander: I think that it is definitely true to say that this is an area where action needs to be taken to take steps to ensure that we get better value for the taxpayer, because your second point about the costs of these things going wrong is clearly hugely important, and this Committee has identified over the years far too many cases for anyone involved in Government to be comfortable with of where projects have gone wrong. That does not necessarily mean you have to spend more money.

I think the point I was making earlier is that, in my relatively brief time in Government so far, I have encountered projects and I have encountered individuals who have very strong levels of project-management skills. It is not always the case that the people with the best project-management skills are allocated to the riskiest projects and it is not always the case that the people with the best project-management skills stay with the riskiest projects and that people move around; it certainly has not always been in the past that there is a central authority with the ability to step in and assess projects at each phase

of the project to make sure that it is on track, that it has answered the relevant questions that you would expect to be asked, and that remedial action has been taken where problems have been identified, so that you do not move into a procurement process, for example, until there is an understanding of precisely what it is that is seeking to be procured and that you do not end up with a situation, which I know has been identified many times and I think it was the case with your M25 report, where specifications and people were constantly changing and, as a result, cost was added and delay was built into the system.

So, I think there are a number of steps that Government can take, some of which we are—many of which we are—taking, and I think that the work we are doing in the Efficiency and Reform Board is looking very much at these issues and, like many things, it is a work in progress, but we very much identify that the problem that you have highlighted is a serious one, but it is not the case—it is very much not the case—that the answer to every problem that Government identifies is to spend more money, and I would hope that this Committee, of all committees, would understand that.

Q192 Jackie Doyle-Price: But you can look at how you reward staff and retain them, and there is, I think, clearly more that can be done on that. But just going back to the M25 example, in terms of the system you've got here, can you give this Committee an assurance that a nine-year delay to a project would be picked up and remedied earlier through this process?

Danny Alexander: A nine-year delay to a project would definitely be picked up, yes, and I hope remedied.

Q193 Chair: I have to tell you, in that particular instance, Ruth Kelly did ask for a review as to whether it was a value-for-money project, and the data on which the review was based proved to be erroneous, so she took a decision. It was a really interesting example.

Danny Alexander: It is a very interesting one where data are so important.

Q194 Chair: Basically, had they got the right figures, she would have taken a different decision. I will just leave you with that with a warning note.

Q195 Mrs McGuire: Can I, in some ways, flip back to some of our earlier discussion to try to understand how a judgment is going to be made about whether or not we are getting good value for money? And I suppose this question is directed at Danny, or to Danny, sorry—"at Danny" sounds a bit aggressive. What actual efforts have you made as the Chief Secretary to ensure that the programme that is identified in these things that we are all now calling business plans—some of us have a view of whether or not they are business plans, what real action are you taking to make sure that what is in here is good value for money? And it is not about whether or not you throw money at things or whether or not there are cuts in expenditure; it is how you have assessed good value for money.

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Danny Alexander: In the course of the Spending Review, of course value for money is assessed in all the normal ways by the Treasury and at my direction. Quite a lot of the business plans, for example, relate to capital projects that are going to be delivered by Departments. We, in the Spending Review, undertook a unique—the first time Government has ever done this, perhaps surprisingly—prioritisation process of all the capital bids from Departments from all parts of Government. We looked at the cost-benefit analysis and the value for money of each and every one of those across the whole of Government and formed a view about capital expenditure based on that information, overlaid by our own judgments, obviously, so that it wasn't the case of saying to Department x, 'Here is your capital budget—now you decide what to do with it'.

Q196 Mr Bacon: Are you saying we did not go through that prior to this Government. I am interested: you said "surprisingly, it was not done before". We were just talking about the A11 and the best benefit-cost ratio, which beautifully came out for us at 20:1, I think, and duly the Government took a—

Danny Alexander: There never been—

Q197 Mr Bacon: But you said that did not happen—

Danny Alexander: There has never been a zero-based review of capital spending looking across government as a whole and making a judgment.

Q198 Mrs McGuire: That is different from saying there was never an assessment made. You are talking about zero-based budget.

Danny Alexander: Assessments were made. Hold on, I just want to answer the question. Assessments were made of value for money, but what you would find is that—

Q199 Mrs McGuire: That is different from a zero-based budget.

Danny Alexander: You might have one Department that was delivering—because it had a capital budget—a project that had low value for money, because that was what was available to it, and another Department delivery projects with high value for money, because that is what was available to it. The A11 is incidental to this, not for you, obviously.

Mr Bacon: Certainly not.

Danny Alexander: But from the point of view of the decision-making process. We then, as a consequence of that, decided to spend more money on capital expenditure within the Department for Transport over the next four years than the last four years, precisely because that is where the benefit-cost was strongest.

Q200 Mr Bacon: But why? I would not expect the Department for Transport to compare itself with, shall we say, the capital projects going on in a different Department and for the other Department to say, "Well, actually, our benefit-cost ratio is not so good, so you had better give more money to the DfT". You would not expect them to do it, but you would expect somebody in the Treasury to do that, and I go on to my point about the civil service hiring the brightest

people in the country: why was nobody in the centre asking those questions?

Oliver Letwin: May I answer this, because I observed this as a member of the Public Expenditure Committee and saw this was not a failing in the past of Treasury civil servants; it was the failing of—again, a non-partisan remark; it extended through many, many, many years—Cabinet government? We made a decision to make these decisions in a Public Expenditure Committee composed of members of the Government, and we sat around and we decided that we would do this on a synoptic basis. That was always available to Ministers in previous regimes. They did not decide to do it. Why they did not will undoubtedly have to do with balance of power and all the complicated things that go on. We made a decision to do it rationally. You cannot blame the civil servants for not having told their political masters to do it rationally.

Q201 Mrs McGuire: Can I just put this, then? A great deal of discussions today has been about how we are accountable to Parliament, how Government is accountable to Parliament, how Ministers and civil servants are accountable to this Committee in terms of spending. And we have also heard about all this data that is going to be out there, and I think to quote you, Oliver, you said that "people can mash the data". Now, given the fact that the majority of people actually will not be able to mash the data, even if they had the information to do it, how, in terms of accountability to the people that we are supposed to be serving and for whose end we are delivering a series of public services in which everybody may want or need to do it, are those individuals able to make a judgment about whether or not the services that are being delivered to them are value for money? There will be some organisations that will mash the data, but assuming that the majority of people will not be able to undertake that skill.

Oliver Letwin: Of course. Not only the majority—99.9% of people do not do it for themselves. It is a service that is available to everybody who goes on the internet and uses what has been done. But it is not just those services that will arise and are arising already; it is also the things we put into the public domain. So, we are going to make sure that, when a person goes to their PC, they can find out which of the GPs available to them in the area have performed better and which worse.

Q202 Mrs McGuire: So, you will be setting minimum standards.

Oliver Letwin: No, we are enabling people to see how they have each performed.

Q203 Mrs McGuire: But how can an individual judge what they can expect in terms of the standard of care from a general practitioner in practice if they do not have a standard against which to judge it? Is it Dr Cameron or is it Dr Kildare? Or is it both.

Oliver Letwin: If you can see 10 GPs and one of them has a very large number of patients who have been successfully cured and, when you look at the outcomes reported by a patient, they all say, "He was

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an excellent GP. He got me cured very well”, and another, who is in the opposite position, you can make an informed judgment.

Q204 Mrs McGuire: But what if the sick and the terminally ill go to the second doctor and his outcomes in terms of fatalities are not as good as the first doctor? How do you make that assessment?

Oliver Letwin: Hold on: I thought you were asking a question about accountability and transparency, and I am saying that we are providing arrangements in which individual patients, when making decisions, will have available to them outcomes that have been achieved in different places, because we think people are, on the whole—there are cases where they need help but, on the whole—intelligent and able to make judgments on the basis of transparent information. Similarly about schools, similarly crime maps and so on and so forth.

Q205 Mrs McGuire: Can I give you this piece of advice to take away with you? You should read our inequalities in health report, and you will see that there are areas where the outcomes in terms of sickness and health and fatalities are different in different parts of the country.

Oliver Letwin: You bet. They are worse than at any time since the Victorian age after years of micro-management from the top—

Mrs McGuire: Yes, we know the reasons.

Oliver Letwin: Which is why we have established a public health budget, which is ringfenced and which is going to involve payment by results.

Q206 Mrs McGuire: We know the reasons but I am asking you: how, in terms of accountability, is the individual person going to make that rational assessment—and you are a man that wants to see us all make rational assessments—how are those assessments going to be made if there are no minimum standards that people can expect?

Oliver Letwin: Of course there are minimum standards.

Q207 Mrs McGuire: You have said already there are none.

Oliver Letwin: There are minimum clinical standards but you were asking not about the minimum clinical standards but about whether there is an accountability system, and there is. We are putting one in place. And we are putting accountability systems in place in every domain, so that the people who are doing the providing are accountable.

Danny Alexander: But I think there is a fairly fundamental question, or difference of opinion that sits behind the question, which is that we do not believe that—I think this is something that has been tested almost to destruction over the last few years—that a system which micro-manages the work of public servants according to a huge network of targets and outcomes either delivers better outcomes in terms of people, which is precisely the question that you are asking, or gives people the information they need to make those informed judgments.

Q208 Mrs McGuire: I am not talking about micro-management. Please don't think I am talking about micro-management. I am talking about, how, in terms of accountability, you make the judgments. Sorry.

Danny Alexander: That is the fundamental shift that we are making with this new system of accountability.

Q209 Chair: I think we have been round this one. One area which we have not covered—and I think we have covered most of them—is just, if I go back to the business plans, they are silos, the departmental business plans, and lots of issues are cross-departmental, so public health, we have just mentioned, would be one; children might be another. How, within the business-plan structure, are you tackling those cross-departmental?

Oliver Letwin: Right, we have thought a lot about that and built that in to the business plans. Let me take a particular case, though we are happy to discuss it in general as well, if you want: one of the particular projects that we were keenest to promote was the payment by results—a case of direct accountability—in drug recovery; this is about getting people out of drug dependency, which we think is incredibly important. And clearly, the Ministry of Justice, the Department of Health, the Home Office and, peripherally, some other Departments as well are involved, and so, first of all, we gathered together a group of people from all of these Departments—both at ministerial level and at official level—to work up the policy; secondly, we incorporated, in this particular case, in the Department of Health's business plan, the actions that we had decided it should take, but we have also included in other relevant departmental business plans actions that support those actions, and that is paralleled in a large number of other cases. And one of the roles that Danny and I have to perform is precisely to make sure that these things are articulated in a way that delivers across—

Q210 Chair: And the counter to that, if you've got an unintended consequence, where an action in one Department, you know, endlessly—You may disagree with them, but housing benefit, homelessness or cutting prison places, crime, if there is that unintended consequence, what happens?

Danny Alexander: Can I just take a step back from that first, because I think it is a very important question? In the spending review, and subsequently, we have, obviously, identified a number of areas where these sorts of interactions take place. The criminal justice system is the classic example, where you have the Home Office, the Ministry of Justice and the Attorney-General's Department, and various agencies of each Department, all of whom come together to form the criminal justice system. And in order to make that system more efficient, there needs to be better working between those Departments to look at interactions between their work, and that is a piece of work that the Treasury has encouraged and is working with those Departments now to see where savings can be made, from a Treasury point of view, and where efficiencies can be delivered and where we can make the system more streamlined.

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The second thing is that, as Oliver says, how this links in with the business plans is, in a number of areas, we are developing overarching strategies. So, I will take the example of social mobility, where we will shortly be coming out with a social-mobility strategy. That will be something that is worked on together by a number of Ministers from different Departments to ensure that it takes a strategic approach, looking at all the different sorts of actions. The things that are identified in that strategy—the actions—will then be built into the business plans so that the business-plan process ensures that all the different elements that were decided upon in a strategic way by Government are then delivered by the Departments who hold those responsibilities.

Q211 Chair: And unintended consequences?

Oliver Letwin: We should also answer you on the specific point about the unintended consequences. So, let us suppose that we discovered that recidivism is going up, despite the efforts of the Ministry of Justice through its rehabilitation PBR and the DWP through its work programme for prisoners when they leave prison and the drug recovery programme from the Department of Health that I was mentioning—despite all those efforts, recidivism was, for some reason, rising. Now, clearly, this would be a worry to Government, to you and so on, and it would have an effect on prison crowding and so on. And we would then have to look at what we identify as the causes of rising recidivism despite these programmes; we would have to look at whether these programmes were not delivering. You and we would have a very good way of measuring that, because, if they were not delivering, then the providers would not have been paid. The point of paying by results is, if there are no results, you don't get paid. So, actually, input costs into those programmes would be very low, because the providers wouldn't have got the money, but the outputs—the outcomes—would be very poor, speculatively, in this case.

Now, clearly, we would then have to ask if that was happening not just in one provider, a perfectly likely occurrence and is part of the scheme, so to speak, that some providers will succeed, some will fail, but if, across the ward, they were failing, then that would indicate that there was a structural failing in the way we had designed the system. And so, we would go back to the relevant Secretaries of State and say, "We and you have clearly made an error here. We have not managed to get a payment-by-results system that is producing the results. It is not producing payments either". I suppose, in one sense, that is good value for money—no result, no payment—but it is not doing the job you want it to do. "Now let us go back and think how we could change that arrangement so that it might do better".

And this is the distinction; I hope—and we have had a very interesting conversation—that we are leaving you, because I think Danny and I both feel passionately about this, with the impression, which is true, that, whether right or wrong, we have a very clear view about two different things. We are not trying to micro-manage the results down at the institutional level. We are taking responsibility for whether the structures as a whole deliver outcomes. And we can be judged by whether the inputs are achieving the outcomes across the structure as a whole.

Q212 Chair: I think we do understand that and all I would reiterate back to you: our primary concern is to ensure that we can follow the pound and, therefore, hold you to account in Parliament for the public expenditure.

Oliver Letwin: And we want you to be able to do that.

Chair: Thanks very much, and thanks for your patience in spending some time with us.

Oliver Letwin: Thank you.

Danny Alexander: Thank you.