



House of Commons
Committee of Public Accounts

Assurance for major projects

Fourteenth Report of Session 2012–13

Report, together with formal minutes, oral and written evidence

*Ordered by the House of Commons
to be printed 17 September 2012*

HC 384

Published on 16 October 2012
by authority of the House of Commons
London: The Stationery Office Limited
£10.00

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).

Current membership

Rt Hon Margaret Hodge (*Labour, Barking*) (Chair)
Mr Richard Bacon (*Conservative, South Norfolk*)
Mr Stephen Barclay (*Conservative, North East Cambridgeshire*)
Jackie Doyle-Price (*Conservative, Thurrock*)
Matthew Hancock (*Conservative, West Suffolk*)
Chris Heaton-Harris (*Conservative, Daventry*)
Meg Hillier (*Labour, Hackney South and Shoreditch*)
Mr Stewart Jackson (*Conservative, Peterborough*)
Fiona Mactaggart (*Labour, Slough*)
Mr Austin Mitchell (*Labour, Great Grimsby*)
Sajid Javid (*Conservative, Bromsgrove*)
Nick Smith (*Labour, Blaenau Gwent*)
Ian Swales (*Liberal Democrats, Redcar*)
James Wharton (*Conservative, Stockton South*)

The following Members were also Members of the committee during the parliament:

Dr Stella Creasy (*Labour/Cooperative, Walthamstow*)
Justine Greening (*Conservative, Putney*)
Joseph Johnson (*Conservative, Orpington*)
Eric Joyce (*Labour, Falkirk*)
Rt Hon Mrs Anne McGuire (*Labour, Stirling*)
Chloe Smith (*Conservative, Norwich North*)

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.

Publications

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 Adrian Jenner (Clerk), Sonia Draper (Senior Committee Assistant), Ian Blair and James McQuade (Committee Assistants) and Alex Paterson (Media Officer).

Contacts

All correspondence should be addressed to the Clerk, Committee of Public Accounts, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5708; the Committee's email address is pubaccomm@parliament.uk

Contents

Report	<i>Page</i>
Summary	3
Conclusions and recommendations	5
1 Managing Major Projects in Government	7
2 Capacity and capability issues	9
3 The use of project information	11
Formal Minutes	12
Witnesses	13
List of printed written evidence	13
List of Reports from the Committee during the current Parliament	13

Summary

The Major Projects Authority (the Authority) was set up in 2011 to address weaknesses in the central system for assuring major projects across Government. The Authority, a partnership between HM Treasury and the Cabinet Office, is responsible for examining and reporting on projects, and intervening where they are going off track. The Authority has made good progress in its first year, but, with only one third of major projects being delivered to time and budget, much more needs to be done.

The Authority spends £6 million to monitor over 200 projects worth £376 billion. It has much stronger powers but much less money than its predecessors. Clearly, the resources it has will affect its impact. It focuses its resources on the projects of highest cost and risk and it is dependent on engagement from departments to achieve its aims, but this is not always forthcoming. Some 62% of departments have adequate formal plans to provide assurance on projects, although the extent to which these are used to manage projects varies. The remaining departments have been slow to adopt the new assurance system. The Authority told us that it is engaging with departments to ensure they understand the value of these tools in improving the performance of government projects.

The Authority's reports should inform HM Treasury's decisions on project funding, and there are signs that this is beginning to take place. The decisions to re-scope the National Programme for IT in the NHS and to cancel the first Carbon Capture and Storage competition were taken following reviews by the Authority. But a stronger link is needed between the results of the Authority's assurance reviews and the spending decisions made by HM Treasury.

Long-standing weaknesses in the project management skills of civil servants are being addressed by the training provided by the Authority's new Academy. However, retaining these skilled individuals in the public sector and ensuring they remain in the one job long enough to enable projects to succeed will be challenging.

The Authority has significantly improved the quality of management information available to Government on its projects, but this is not yet being used to best effect by HM Treasury to oversee spending on projects. The Authority has not met its commitment to publish information on project status; on-going discussions within Government are seriously delaying the publication of the Authority's annual report and calling into question the Government's commitment to transparency.

On the basis of a Report by the Comptroller and Auditor General,¹ we took evidence from the Major Projects Authority, HM Treasury, and an expert witness from the private sector, on how the new central assurance system was progressing.

1 C&AG's Report, *Assurance for major projects*, Session 2010-12, HC 1698

Conclusions and recommendations

- 1. Departments' compliance with the Authority's procedures for assuring major projects is too variable.** While some departments, such as the Ministry of Justice and the Department for Work and Pensions, are using assurance arrangements supported by the Authority, such as Integrated Assurance and Approval Plans (IAAPs), to help them manage their projects, others appear not to accept the benefits of doing so. Departments should ensure that prioritizing the successful delivery of projects and compliance with the Authority's assurance arrangements, such as IAAPs, is a formal part of the objectives of Senior Responsible Owners and Accounting Officers.
- 2. A stronger link is needed between the results of the Authority's assurance reviews and the spending decisions made by HM Treasury.** The Committee has long been concerned that warning signs of impending project failure are ignored by government. Under the new arrangements, the Authority's assurance reviews should be considered by HM Treasury as part of their funding approval decisions, but there is limited evidence of the results of these reviews influencing Treasury's decisions to halt or to reset projects. The Authority's reviews should clearly set out whether the project should continue, be stopped or reset, and HM Treasury should ensure the recommendation is adhered to.
- 3. HM Treasury is not making best use of the data on major projects that is now available to manage the government's financial position.** We welcome HM Treasury's acknowledgement that it could make more use of the good quality data collected by the Authority on the major projects portfolio to identify and understand how underspending or overspending within individual projects may impact future spending across government. HM Treasury should routinely use the Authority's data on the major projects portfolio to manage its spending and prioritise resources between projects.
- 4. The Authority has much more work but far fewer resources than the part of the Office of Government Commerce it replaced.** The creation of the Authority is a very welcome development. With a budget of £6 million and a 40% cut in staffing there are inevitably questions over whether it can achieve the improvements intended. Inevitably, the Authority has to focus on the biggest, most risky projects. This raises the risk that significant problems within lower priority projects in the Authority's portfolio may be missed. The Authority and HM Treasury should quantify the return on investment from the Authority's work to identify whether further investment would benefit the taxpayer.
- 5. The Authority's Major Projects Leadership Academy is a welcome step forward in strengthening the project management skills of civil servants, but retaining and making best use of those trained will be a challenge.** The Committee supports both the launch of the Academy and the proposed requirement for all Senior Responsible Owners to have to attend it, as means of addressing longstanding concerns about the quality of project delivery skills within government. The Executive Director of the Authority (as head of the government's project and programme profession) should

be responsible for co-ordinating the career planning and deployment of staff with relevant project management skills across government, and particularly those graduating from the Leadership Academy, to minimise staff losses in this area.

6. **The Authority has failed to make progress on publishing project status information.** While this information is being reported internally to departments, the Government has yet to determine its policy on making data available publicly and we are still waiting for the Authority's seriously overdue annual report on major projects. Considerations of commercial confidentiality should not be allowed to frustrate proper accountability. They should not be used as an excuse to override the responsibilities of departmental officials to be held to account for the progress of their projects. The Committee expects the complete and transparent disclosure of information on project status, including the current delivery confidence rating, with immediate effect, and will expect to receive annual updates on the performance of projects in the Authority's portfolio.

1 Managing Major Projects in Government

1. The Major Projects Authority (the Authority) was set up in 2011 to address weaknesses in the central system for assuring major projects across Government. The Authority, a partnership between HM Treasury and the Cabinet Office, is responsible for examining and reporting on project progress, and intervening where projects are going off track.² The Authority's scope includes examining central government's spending on major projects, but its remit excludes "business as usual" and local government spending.³ The Authority currently reports that only one third of government's major projects are delivered on time and budget.⁴

2. The Authority has made good progress in its first year of operation, but more work is needed to embed an integrated assurance system across government. This requires effective engagement from departments in adopting the new assurance system, which in practice has been variable. The Authority told us that only 62% of departments have adequate formal plans for providing assurance on projects, including Integrated Assurance and Approvals Plans (IAAPs), which set out how their internal assurance processes will align with those of the Authority, and with HM Treasury's funding approval milestones.⁵

3. Better performing departments, such as the Ministry of Justice and the Department for Work and Pensions, are using IAAPs as management tools to help them to deliver their projects. Other departments, however, have been slow to comply with the new assurance system. We believe that a cultural change is required to secure the level of engagement necessary to embed the new assurance system, starting from the top in these departments.⁶ The Authority told us that it was engaging with departments to ensure they understand the value of these tools in improving the performance of government projects and contributing to better project delivery.

4. The Authority's assurance reports on major projects are intended to inform HM Treasury's decisions on whether to approve project funding at key project milestones and there have been a number of examples of this happening in practice. The National Programme for IT in the NHS was finally halted and dismantled in 2011 on the advice of the Authority after several years of concern from this Committee over its ability to deliver. The Department for Energy and Climate Change similarly cancelled the first competition process for the Carbon Capture and Storage scheme following a review by the Authority. The Authority told us that the contracts for e-Borders had also been terminated following the recommendations in its review.⁷

5. For the Authority to deliver its objectives and improve project performance across government its assurance reviews need to have demonstrable consequences and a clear link

2 C&AG's Report paras 1.1-1.9

3 Qq 117-119

4 Qq 5-6

5 Q 19

6 Qq 19-32

7 Qq 45-49, 54-58

to decisions on project funding and continuation.⁸ The Authority does not have the power to stop or reset projects which are going off track and too many projects continue for too long before action is taken.⁹ HM Treasury told us that it was getting better at using the Authority's recommendations when making funding decisions but acknowledged that this had not always been the case in the past.¹⁰ HM Treasury confirmed that it has the power to stop or re-scope projects and told us that in future it would ensure that these decisions were made on the advice of the Authority.¹¹

8 Q 48

9 Qq 58-59

10 Qq 45-47

11 Qq 49-53

2 Capacity and capability issues

6. The Authority is responsible for reporting on over 200 major projects with a total whole life cost of £376 billion. It has a budget of £6 million and 38 full-time equivalent members of staff, some 40% less staff than its predecessor, the Major Projects Directorate of the Office for Government Commerce.¹² The resources applied to assurance work in the private sector are often significantly greater than those in the public sector.¹³ We asked whether the Authority was adequately resourced given that it was required to deliver more work with fewer resources than its predecessor. The Authority told us that, in agreement with HM Treasury and departments, it prioritised its workload based on those projects which were considered to be high risk, high value, and with the potential for high reputational damage if they go wrong. Other projects in the portfolio get less in-depth attention from the Authority. The Authority acknowledged that the size or risk attributed to a project was not necessarily an indication of how well the project was run and that there was a danger that it could miss problems which might arise in smaller projects.¹⁴

7. The Authority does not measure the outcomes from its assurance interventions, but told us that it was working with HM Treasury to create a performance framework to capture this information.¹⁵ We asked what consideration had been given to quantifying the financial return from the current level of investment in the assurance system and whether investment in additional assurance work could result in further savings.¹⁶ HM Treasury told us that it had not undertaken such an analysis but it was supportive of investments which ‘spend to save’.¹⁷

8. The Authority told us that because it did not have the resources to carry out focused assurance work across the portfolio, it was targeting the improvement of civil servants’ project management skills as a means of reducing the project failure rate.¹⁸ The Major Projects Leadership Academy, a joint venture between the Authority and Oxford University, was launched in April 2012 with the aim of training 200 to 300 senior civil servants in project management skills within three years.¹⁹ From March 2014, all Senior Responsible Owners of major projects will be required to have attended the Academy and have two years’ operational experience before being appointed to manage a major project.²⁰

9. The Academy is a welcome step in strengthening the project management skills of civil servants, but retaining and making best use of those trained will be a challenge.²¹ Managing

12 Q 62, C&AG’s Report para 2.4

13 Qq 2-3

14 Qq 35, 36, 63

15 Q 114

16 Qq 41, 114

17 Q 100

18 Qq 9, 34

19 Q 86

20 Qq 88,90

21 Qq 93, 95

large projects is as much of a challenge for the private sector as for the public sector and there is a danger that individuals will leave the civil service once trained. The Authority told us that retaining staff would depend on ensuring that conditions in the workplace allowed staff to use their skills to best effect and feel supported, appreciated and rewarded. The Academy is being supplemented with a project leaders' network for Senior Responsible Owners to share ideas, information and provide peer support.²² But the Authority also needs to ensure that individuals strengthen their knowledge with the right experience, and get recognition for doing a good job.²³

10. To make best use of the skilled Senior Responsible Owners, it is important that they remain on the job for the right length of time. This Committee has frequently highlighted the detrimental effect of “churn” of staff on the delivery of projects. In particular, the Ministry of Defence does not keep Senior Responsible Owners in post for long enough before they are moved on to new roles.²⁴ The Authority told us that it was working with the Ministry of Defence and other departments on their deployment of Senior Responsible Owners and project directors to increase flexibility in appointments and reduce this “churn” rate.²⁵

22 Q 86

23 Qq 93-94

24 Q 77

25 Qq 79-82

3 The use of project information

11. The Authority has significantly improved the management information that government holds on its major projects. The quarterly Government Major Projects Portfolio report contains data on project costs and benefits (budget, actual and forecast estimates), project milestones and delivery confidence for the 205 projects in the portfolio.²⁶ However, the information in the quarterly reports is not used to secure value for money across the portfolio. HM Treasury does not routinely consider the major projects portfolio across government when making a decision on whether to approve an individual project. Similarly, it does not use the information to identify and understand how underspending or overspending on individual projects may impact future spending across government. HM Treasury acknowledged that it could and should make better use of the data collected by the Authority on the major projects portfolio and told us that it would look to prioritise resources between projects in the portfolio more effectively, and reallocate funding between departments even in the periods between spending reviews.²⁷

12. The Authority has not met its objective of publishing information on project status. Information on project spending, delivery confidence ratings and project milestones is reported internally to departments, but is not available to the public as the Government has not yet decided whether to make this information public. The Authority is also unable to produce its annual report on major projects, which is now seriously overdue, until the government decides whether to release the data.. The Authority told us that it is committed to publishing its annual report once the government reaches a decision, which it expects by the end of the summer, and that it would provide an update to the Committee in advance of the report once the policy and reporting arrangements have been agreed.²⁸

13. Openness and transparent reporting are key to ensuring accountability for public money. The Authority maintains that an exception should be made to exclude it from publishing commercially sensitive information.²⁹ We are concerned that on far too many occasions private companies are allowed to hide behind concerns for commercial confidentiality as a means of frustrating the legitimate scrutiny of value for money.³⁰ In the future, the Committee will expect regular published updates on the progress of major projects.³¹

26 C&AG's Report paras 2.2

27 Qq 73-75

28 Qq 102-106, 109-110

29 Q 106

30 Q 107

31 Q 110

Formal Minutes

Monday 17 September 2012

Members present:

Rt Hon Margaret Hodge, in the Chair

Mr Richard Bacon
Jackie Doyle-Price
Chris Heaton-Harris
Meg Hiller
Mr Stewart Jackson

Fiona Mactaggart
Mr Austin Mitchell
Ian Swales
James Wharton

Draft Report (*Assurance for Major Projects*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 13 read and agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

Resolved, That the Report be the Fourteenth 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.

Written evidence was ordered to be reported to the House for printing with the Report (in addition to that ordered to be reported for publishing on 5 September 2012).

[Adjourned till Tuesday 18 September at 10.00 am

Witnesses

Monday 25 June 2012

	<i>Page</i>
Marc van Grondelle , Head of Joint Ventures, KPMG	Ev 1
David Pitchford , Executive Director, major Projects Authority, Cabinet Office and Sharon White , Director General, Public Spending, HM Treasury	Ev 5

List of printed written evidence

1	Tim Manning	Ev 20
2	National Audit Office	Ev 21

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 2012–13

First Report	The Government Procurement Card	HC 1915
Second Report	Mobile Technology in Policing	HC 1863
Third Report	Efficiency and reform in government corporate functions through shared service centres	HC 463
Fourth Report	The completion and sale of High Speed 1	HC 464
Fifth Report	The Regional Growth Fund	HC 104
Sixth Report	HM Revenue & Customs: Renewed Alcohol Strategy	HC 504
Seventh Report	Immigration: The Points Based System – Student Routes	HC 101
Eighth Report	Managing early departures in central government	HC 503
Ninth Report	Preparations for the London 2012 Olympic and Paralympic Games	HC 526
Tenth Report	Implementing the transparency agenda	HC 102
Eleventh Report	Improving the efficiency of central government office property	HC 288

Oral evidence

Taken before the Committee of Public Accounts on Monday 25 June 2012

Members present:

Margaret Hodge (Chair)

Mr Richard Bacon
Stephen Barclay
Jackie Doyle-Price
Matthew Hancock
Meg Hillier

Mr Stewart Jackson
Mr Austin Mitchell
Ian Swales
James Wharton

Amyas Morse, Comptroller and Auditor General, **Gabrielle Cohen**, Assistant Auditor General, **Keith Davis**, Director, NAO, and **Paula Diggle**, Treasury Officer of Accounts, were in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

Assurance for major projects (HC 1698)

Examination of Witness

Witness: **Marc Van Grondelle**, Head of Joint Ventures, KPMG, ex-Shell, gave evidence.

Q1 Chair: Dr Van Grondelle, my apologies. I will tell you why we switched. The officials asked to give some information to us in private, so we thought that rather than having you in public, then switching to private, and coming back to public, it would be better to switch in the way we did. Apologies to all of you who have been waiting, and particularly to you, Dr Van Grondelle.

This is a short session that we have as an innovation at the start of our investigations into issues. What we try to do is to get someone who knows much more than we do as generalists about the issues that we should be addressing to give us some support and advice as to what we should be looking at, and your take on the Report, which I hope you have read. We are not trying to catch you out. We want you to say what you think from your reading of progress made so far. Where are your major concerns? What do you think is missing in the design of the system that comes out of the Prime Minister's mandate? Where do you think things are going better, and what does your experience tell you about how the UK Government can perform better in this arena?

Dr Van Grondelle: There are quite a few questions, Chair, so I will free flow.

Q2 Chair: Yes, just free flow, and people will come in.

Dr Von Grondelle: When I speak to my professional colleagues, the impression I get is that the MPA is seen as good news in Whitehall. There is a new sheriff in town—to go for that old Americanism. We certainly hear from our clients and professional contacts that it is a force to be reckoned with, and that is a substantial change or enhancement or however we wish to describe it. It is certainly not seen as a token effort by the Government. It is seen as a credible, serious player. I think that is quite an achievement. This is a personal view, but in a very short space of

time it has created a name for itself, spectacularly, which is an incredible achievement and a great positive.

I do not have a full overview of the MPA as you have, but from my encounter with it—some of the projects it is running and some contractors working for the Government—it seems to have an incredibly wide mandate, but a relatively small resource base. That is my first observation, and my first reaction. From my private sector experience over the past 20 years of running complex projects all over the world, particularly the governance and assurance around that, I can give an example or a bit of a ratio of resourcing staff versus the size of project. Before I joined the firm, I came from a project of \$40 billion or £25 billion, and over 200 people were running that project's assurance across the piece from quality to—

Q3 Chair: In terms of cost, what would the ratio be? With 200 people, how much was the assurance as a proportion of the cost?

Dr Van Grondelle: It is not totally unusual to be somewhere between 0.2% of total capital cost and 0.5%. That seems to be indicative in my experience. With projects that are going terribly wrong and when there is more desire from the oversight bodies for assurance, or indeed for intervention, it is not unusual to go to 1% or 1.5%, and in a really extreme case to almost 2% of total capital cost, but that is the extreme. I must emphasise that it is not the norm; that is for projects that have gone off track, and are not delivering value, not delivering on schedule, and not delivering against cost, or need substantial re-engineering or change on the way. That is not the norm, and 0.2% to 0.5% or 0.7% was certainly what I encountered in multinational oil and gas projects and infrastructure projects, and is not beyond the realm of the possible. In that particular case, there were 6,000 people on the project—6,500—200 of which were in

25 June 2012 KPMG

assurance. Again, that is slightly extreme. They are all different; there is no standard.

Q4 Chair: Good start, not enough resources. Any other overarching comment? Are the powers strong enough? Is the authority strong enough? When I read it, I saw a question mark there.

Dr Van Grondelle: I declare a conflict of interest almost—not a real one, but being from an assurance background, one of the key observations I always make is that assurance should never be without consequences, particularly if there are shortcomings. I am not totally clear—that may be a lack of information on my part—how the assurance feeds firmly into the decisions taken by the senior responsible officers in the various Departments. The firmer the link is and the harder that link is, the more value is given by assurance.

You could almost think in terms of giving the MPA and the Treasury conditional approvals for projects, and stopping them or resetting them if they are not performing. A particular tool I would add to the MPA toolbox, for want of a better word, is the power to direct a reset. They do not always have to be abandoned or closed, which by definition means writing off the money, the time and the talent that have been invested. Very often, projects can be re-engineered, they can be refreshed, they can be reset—whatever terminology we wish to use. I think a really good power either for the MPA or for the Treasury, or a combination—or for this Committee—to have would be to direct a reset of the project, rather than a complete abandonment and thereby a write-off of the costs incurred.

Q5 Austin Mitchell: The Major Projects Authority says that only about a third of Government projects have delivered on time and on budget. How would that compare with the private sector?

Dr Van Grondelle: There are a whole range of databases, and they do not perfectly overlap, in the sense that there is not a hard-core private sector number that I am aware of that I can share as “The Number”. It seems on the high side, but at the same time—

Q6 Austin Mitchell: A third?

Dr Van Grondelle: A third are delivering well, and two thirds are not delivering well. The two thirds seems on the high side compared with the private sector. Having said that, the private sector is not above making a hash of projects either. It is not that the private sector has the magic bullet and they always deliver their projects correctly. I come from the oil and gas industry world, and a lot of projects there are late. The difference is that, very often, it is detected a little earlier in the piece, and the action to reset them or refresh them tends to be a bit more intrusive. I would not be surprised that, on a like-for-like basis, the public and the private sectors did not differ that much, but the power to intervene either to stop a project or to put it in a more productive, safer and controlled mode tends to be stronger—in my experience, at least—in the private sector.

Q7 Austin Mitchell: I imagine that the private sector could also be quicker and more decisive to junk things, if they are not working.

Dr Van Grondelle: Sometimes.

Q8 Austin Mitchell: I mean that it is difficult to co-ordinate political things between Departments—the considerations are bigger—whereas you have a unified control structure in a private corporation.

Dr Van Grondelle: Ideally, yes, but particularly when it comes to, say, a transnational joint venture project, which is where a lot of British multinationals do a lot of their capital investment, it is very difficult to make yourself abandon a project once you have started it. You have launched it with considerable fanfare; you have announced it to your shareholders; it is part of your annual report and it is part of your growth strategy. You name all these wonderful influencing factors, and it is then very, very difficult to tell yourself to stop doing it. For example, in the oil and gas industry that means de-booking reserves, and shareholders do not like oil and gas companies de-booking reserves. In aerospace companies, it means not having full order books, which can create all kinds of issues. In that sense, it is different. There is not the interdepartmental co-ordination angle that you so correctly describe; on the other hand, there is a strong disincentive to close down a project. That is why surgical intervention in a project is often chosen—to keep it going and to be able to tell your shareholders you are still progressing with it, but to be quite decisive in resetting it.

Q9 Mr Bacon: I have a couple of questions. Based on your ratio of 200 people to cover a \$40 billion project, the £376 billion that we have here would equate to—I have just done a quick sum; if you call it roughly \$580 billion—about 2,890 people, which is almost exactly the size of the senior civil service. That would give you the kind of level of governance and assurance you wanted and, at the same time, create all the problems you have with big bureaucratic organisations.

The striking thing about the MPA is how it is doing a better job, and is widely recognised as doing a better job than the old Office of Government Commerce, with a bigger remit and fewer resources than the old OGC. Plainly, they are getting something right. It must also be true that there could be an increase in the level of resource that would give them more firepower if they had the right people of the right quality and the right calibre to do a much better job still and have much better coverage—for example, the number of projects in the MOD alone mean that they can only be very cursory there—but at the same time get to a point where they resist going so far that they become top-heavy and muscle-bound. How do they find where the sweet spot is?

Dr Van Grondelle: It is a very intuitive game. There is no benchmarking and no absolute number. You’ll know it when you see it is always my answer when it comes to the size of assurance schemes. I think flexing is very important. First, prevention is better than cure. The whole major projects academy initiative—assuming that we can hang on to the people we have

25 June 2012 KPMG

trained and that there is no erosion or retention issue—is extremely exciting, and that will contribute over years, gradually, in getting the prevention side right.

On the assurance side, I gave the example of 200 people for \$40 billion; in that extreme example, two thirds of them were specialist advisers who were just there for that project. They did not form part of the core of assurance, because there is a substantial element of specialist knowledge required, which you would use only occasionally as a Government. You would not want to have those resources permanently on the Government's books.

Q10 Mr Bacon: Does that mean bringing in highly paid consultants on day rates or bringing in people on 12-month contracts?

Dr Van Grondelle: It is a combination of that sort of tool. It occasionally is literally specialist resource being brought in, which Government would not want to keep on the books, or would not want to be able to afford permanently. It is also very much on a project basis. If you talk about resetting projects, that is a discrete activity. It has a start and it has an end, and you would not want to keep the resources doing that permanently on your books.

Q11 Mr Bacon: I would like to explore more. I have two more questions. One is about the reset button, or the stop button. I have hankered for the centre to have a reset button for many years, or even a big red stop button. If Departments knew that the centre had that power at the outset when they were first thinking about a project and came to talk to the centre about it, do you think it would alter their behaviour at the beginning?

Dr Van Grondelle: I can only give a very generic answer. Project by project it is different, and within the project it is different person by person. Therefore I go for a very generic answer. I see very often that projects start and fail for all kinds of reasons, which are either beyond the Department's control or because individuals within do not feel empowered to flag the shortcomings, for whatever reason. It can be very personal reasons, institutional reasons or a competency reason. I have yet to come across, in 20 years, projects where the project team was particularly delighted that it did not go well. There is always a cost: an emotional cost, a cost to a career and a cost to the overall success and standing of the project. I do not think it would result in flippancy in approving projects.

Generally speaking, front-end loading of projects is a good idea. Spend time thinking about it. Get the contract strategy absolutely right. Challenge it, wait for a few weeks and then think about it again and get some fresh eyes to challenge you again. The more you do of that up-front, the more likely it is that your project remains under control. It is not a guarantee, but the more likely it is.

Q12 Mr Bacon: One more question. I want to ask you about the process of project review and RAG ratings—not about specific projects, but generically. We have been pursuing this issue for many years and

we have seen RAG ratings occasionally published for particular projects like, for example, the Rural Payments Agency some years ago. The answer that one hears frequently is that the only trouble with public discussion of such RAG ratings is that it means people will not be honest in their reviews and you do not really get what you need to get.

By the way, there was an interesting radio programme with Alan Mulally of Ford, which I sent to Bob Kerslake, the head of the civil service, the other day. Alan Mulally had a worldwide conference of managers meeting every Thursday morning at 7 o'clock to have a phone-in. They had RAG ratings for everything around the whole planet in their business. Everything, on every single index, was green. He said, "Guys, this is really interesting. Fantastic visibility. I've just got one question: if everything is green, why are we about to post a loss of \$17 billion? Is there anything at all that is not going well?" It took a while before somebody put their hand up and said, "I've got a particular problem here." He said, "We sorted it out in 12 seconds, because everyone was in on the call." He eventually got everybody on board and then, a few weeks later, with the process being pushed and continued, he got what he called a rainbow of honesty, when there was real clarity. Then, and for the first time, they were able to manage the business.

My concern about the answer—I fully understand about keeping things hugger-mugger, quiet and closed, otherwise you don't get the honesty—is that we have tried that, and it has not worked for years and years. We still get these car crashes, one after another for many, many years, under Governments of both parties. It seems to me that projects are like anaerobic bacteria; if they are weak, they can only survive in dark corners where no light is shined upon them. Isn't it the case that strong projects are improved by exposure? First of all, they are able to defend themselves and if they were not as fit and strong as they should be in defending themselves, the fact that they know that they have to makes them stronger and tougher, with bigger muscles. They end up doing a better job precisely because they are in the public gaze—in front of Parliament, journalists and everyone else—and they are able to defend themselves.

Chair: There is no prejudice in that question, but go on, give us a non-prejudiced answer.

Dr Van Grondelle: There is no hard and fast answer. I do know one thing: if you do assurance on projects, then 50% of it is science and 50% is art. Fifty per cent is a scientific, systematic review approach, and 50% is, as an assurance professional, that you know when you are being told a fib.

Q13 Mr Bacon: The art is about the people.

Dr Van Grondelle: It is about the people, the skill and not necessarily trusting that beautiful score card with all the green lights that you have been given. It is about realising very quickly whether you are in an open and honest debate with the project team, or whether the project team is spinning you a yarn. It may not necessarily be negative. Sometimes project teams have the feeling that they cannot do anything else; they did it out of loyalty to the project or the

team, or because they are not seeing a way out. They do not know where to reach for help to reset an underperforming project. It is an extremely painful position to be in as a project manager if you are not bringing home the goods. If you can combine assurance with a potential intervention option, you give them a way out. Then it comes down, ultimately, to systematically applying the assurance, which goes without saying is necessary, but also—

Q14 Chair: You have not actually answered the transparency issue. Is it better to be open, or does that mean that people hide the truth?

Mr Bacon: Isn't it true that sunshine is the best disinfectant?

Dr Van Grondelle: I have seen the exact opposite of that sometimes. It depends, again, on the individual project. I have come from two projects recently. One was held in full openness and was a complete disaster as a result, because there was constant intervention—I add that this was a private sector project and not a public sector or Government project—but I have seen in the same company a project, run by a different team, that had never been visited by the board, the CEO or MDs, and it was perfectly run, because they were allowed to get on with it quietly.

The answer is yes, transparency by definition is better, because it should result in the full public gaze, full scrutiny and therefore full interaction, but transparency should never descend into interference and intervention because that will destabilise the project. Very often, that effect does happen—lots of scrutiny, lots of visits, lots of governance committees and lots of interventions, and as a result the project goes off the rails.

Q15 Meg Hillier: I am interested in your views about embedding insurance teams in projects, because there is a danger that they can go native, but I guess there are also some benefits. I wonder what your views are on the different approaches. Do we have an embedded team, ad hoc drop-ins or deep diving into projects?

Dr Van Grondelle: I am a great proponent of embedded assurance teams. I have done it for a very long time in my career. You do need to protect them because, first, they can go native and, secondly, they can also be seen to have gone native without having gone native. The individuals need to be protected and nourished, and they must have a very strong reporting line back to their parent organisation—the MPA in this case. If you have the resourcing to do it, the presence of an assurance team gives you much more intrusive assurance—it give you that ability to hear the little rumour, to listen to the individual employee who is disgruntled and saying, “Look, you should really look at this bit of the schedule or that bit of cost.” I find it, personally, a very powerful way of doing assurance. There is a secondary effect, that it has a deterrent effect. The fact that the assurance people are permanently present means that, first, they tend to be more accessible—I am generalising terribly—and, secondly, assurance is continuous. I am always a great proponent of continuous and embedded assurance provided that it can be resourced.

Q16 Meg Hillier: An alternative way of doing it perhaps is to work on the culture of an organisation. I say this because we had the opportunity last week to meet the man from NASA who has been doing a lot of work because of some of the terrible, tragic problems that they had. In one case, because they had tried to reduce resources, a junior engineer had seen some data but not appreciated that the data required quick action and did not have the authority to take it. That has encouraged everyone at very junior level to raise their hands and say they are worried about it. Is that an alternative to embedding, or is that something that should happen alongside it? What do you feel about how the public sector works in that respect in terms of the culture?

At the moment, if you are a civil servant, going to your Minister or somewhere up the line with a failure is not going to be good for your career, whereas, if you tell everyone that it is all right and it is not, you do not get much comeback either. The incentive is perhaps not to be honest about a problem. That is a bit of a generalisation but you know what I mean.

Dr Van Grondelle: You raise a number of points. I think the culture is extremely important. I see that the shorter projects are the less time is taken to embed a culture. Priority tends to be given to safety culture, preventing accidents and injuries and that kind of thing. That is already a very substantial challenge. A good project manager or director manages culture continuously. Depending on the pressures that he or she is under it does not always mature to the point that the junior engineer feels comfortable telling the No. 1 man or woman the bad news.

As a general observation, does bad news travel more quickly in the private sector? I don't necessarily think so. Sometimes it does, depending on the personalities and the culture that has been created; sometimes it doesn't. If you look at NASA, I refer to the Challenger and Columbia disasters for example, and the Apollo 1 disaster, going back even further. Time and again it resulted in soul-searching; time and again it resulted in managing the culture of the organisation as a whole, and the culture of the project as a subset of that. I find, being head of joint ventures, that even some of the largest multinationals struggle to manage the culture of a project or a joint venture because it becomes arm's length and is also a temporary phenomenon. I keep referring to it as the Portakabin syndrome. Why would you paint the Portakabin and keep it clean and tidy, because we are going to take it away in two years' time anyway? That sounds one more point that the major projects authority, in my view, plays a role in setting the culture of projects in government, by being there.

Q17 Matthew Hancock: I want to ask one question. You talked earlier about the intervention. Could you describe what a big, heavy, serious intervention in a failing major project looks like?

Dr Van Grondelle: In very generic terms, I would almost split it in two phases. One question is: can we effectively intervene in this? At that point you are almost in a medical analogy: the doctor comes in, the GP says that things are not going terribly well and we should have a chat with a specialist. Is there an illness,

25 June 2012 KPMG

yes or no? Can we do something, yes or no? At that point they take a second decision to scope out what that intervention looks like. You either do it or you elect that it is unsalvageable or not worth the effort. That would be roughly the decision process around intervening in these projects. Is that always successful? No. Sometimes you settle for an 80:20 solution because that is the best you think collectively, either in the public or private sector, that you can achieve.

That may still be better than the alternative. The alternative, which you always bear in mind, is just to abandon it, walk away and take the cost, take the hit on the bottom line, which may not be the best outcome financially from a public scrutiny perspective. Each and every one of them you assess whether it can be salvaged; what it would take to salvage it and then what you need to do. I was in Qatar last week doing exactly that. That was fortunately a project where we came to the conclusion that it could be salvaged. You then come up with a very detailed plan collectively, usually involving the project team, the assurance bodies and whoever is helping or authorised to reset. That can go down to changing personnel and the contracting strategy. Sometimes it means taking hits, whereby you exit one contractor and go for another. You pay a penalty to do that but it still might be a better overall outcome. That is where you go into the detailed design of what the intervention looks like.

Q18 Chair: I take from this—this is your opportunity to add anything you want—that the authority to reset is important; resources are important; and leading a culture within the organisation is important. Those are

the three messages I have taken from your contribution. Is there anything you want to add?

Dr Van Grondelle: The continuous assurance discretion is important. There are two angles to that, and one I have not mentioned yet. There is continuous assurance of projects by embedding people. There are also now technologies available, in which I am not a specialist, such as data analytics that allow you continuously to check elements of a project and detect, for example, fraud, incorrect payments and underpayments. Professional colleagues of mine were recently deployed at the telecoms sector and they were absolutely amazed to figure out that even with very large companies deploying these techniques, which are not visible—they are not a threat or even a distraction to the project team; they take place almost behind the scenes—very substantial incorrect payments could be recovered. There was a fair amount of that going on in just about any project, whether it was public sector or private sector—incorrect payments, early payments or payments that are not due. If you take a data analytics look, without interrupting the project you can suddenly claw back substantial sums of money without having disrupted the project in any way. That is the second element of continuous assurance—embedding people. If you have them, fantastic; manage them well and keep them safe. The other thing is using certain analytical technologies to keep an eye on the projects as they move forward. That is good bang for the buck.

Chair: Thank you very much indeed. That was very helpful. Apologies again for keeping you waiting at the start.

Dr Van Grondelle: It is a real pleasure to be here.

Examination of Witnesses

Witnesses: **David Pitchford**, Executive Director, Major Projects Authority, Cabinet Office, and **Sharon White**, Director General, Public Spending, HM Treasury, gave evidence.

Q19 Chair: Welcome back. We are now taking evidence from you in public. Let us just start by putting on the record that, as you know, David, from your session with us about nine months or a year ago, we are very supportive of the concept of a Major Projects Authority having teeth at the centre of Government and working closely with the funder, which is the Treasury. We are very supportive of the principle, and we note from the Report that good progress has been made.

Then come the “howevers”, and I am afraid I have to start with some of them. It is difficult to know where to start. In paragraph 1.5 on page 14 of the Report, the NAO define an integrated assurance system, and presumably you would agree. But we have not really got that so far, have we? I accept that it is a “so far,” and I really want you both to talk a little bit about what needs to be done actually to get that integrated assurance system embedded in the whole of Government.

David Pitchford: That is a fair analysis, Madam Chair. The numbers come out at roughly 62% of Departments have got an adequate IAAP, some of

them much better than others. For example, MOJ have not only got it for their major portfolio projects but they have embedded this right across the Department, so all their projects are being run against an IAAP, which is the best side of town. We have had some terrific successful results such as the DWP IAAP for Universal Credit. As I mentioned to you in private session, that is a very complex project so the plan is very complex, but they have gone at it in a very strong way.

In other Departments it is not as well regarded. My own belief is that it is not so much inertia because they do not want to do it, but there is not a broad understanding of just what a powerful management tool an integrated assurance and approvals plan can be. Basically, that is because not only does it set up the fundamental approval points and the assurance activity that must go on before it, but if the achievement milestones for the project—such as calling in tenders, letting projects, and refunding stages—are folded into the same thing and then aligned with the Department’s own internal audit processes, the integration becomes amazingly

productive. If you can then fold it into what we hope will be an exponential improvement in the standard of management information that informs all that, we can get a much better outcome.

I have to say that we aren't anywhere near concluding that process. When we first started out, it was new. There have been some difficulties in trying to get enough time to spend on it, because of the prioritisation that I mentioned before, but we are more aligned with the Treasury in the approvals and assurance process than may be apparent, and certainly more than we were two years ago. We are getting better and better at this. The alignment of the MPA clusters with the spending teams within the Treasury is much better, and now we have them mirroring each other, not only in terms of title, but how they approach Departments.

So, I do take the challenge. We haven't got there yet, and one really strong thing that we will be driving towards in the second year of our operations is to elevate the thinking about this to introduce the concept as a management tool, and not just something that you need to do to get approval from the Treasury.

Q20 Stephen Barclay: You mentioned the MOJ as being the best for this, so which is the worst?

Chair: I was going to ask whether you are able to name those that have not got it.

David Pitchford: There are several Departments that have not embraced it as yet. I would rather not name them at this point if I can, because it is important that we maintain relationships with them to try and bring them to it, rather than label them as recalcitrant.

Q21 Meg Hillier: Are there any characteristics particularly of those Departments? It is interesting that you mention the MOJ, because there happened to be a big, Ministerial drive at the MOJ and the Ministerial champion for some of this work about three years ago. I wonder if it is that level of championing, because we have also seen quite variable engagement from the Treasury, I have to say, with four of the six top-level meetings being attended—I think that is right.

Sharon White: I will come on to that.

Chair: We will deal with Treasury's role separately and not at this stage.

Q22 Meg Hillier: Okay, I will come back to that. Is that a factor? Is it the leadership from Permanent Secretaries and at a Ministerial level, or is it down to individual project teams or lower-level people? What are the characteristics of the worst players in this?

David Pitchford: It is a function of what Mr Bacon and Mr Barclay were talking about before in relation to the culture of Departments. Some have embraced the concept strongly, while some have embraced it less strongly. One thing that I want to drive hard for in the MPA in its second year, as I was about to say, is to try and engage the Departments that are underperforming in relation to this, to engage as a management tool that can help them to deliver, rather than just a piece of work that has to be done.

Q23 Meg Hillier: We obviously have the power to make recommendations. What I am trying to drive at

is, if you were to write a recommendation—that is not your job obviously—would it be that you want Permanent Secretaries or Ministers to take more of a lead? Do you want an embedded culture, as we heard from our previous witness, at all levels through the Department? In some of these Departments, it may be a big challenge to change the culture, or it may just be that the leadership is not focused. I know that Departments can be very defensive about an outside body like you coming in and telling them, as they might see it, how to do their job.

David Pitchford: The best response to that might be that the driving force behind this—being my Minister, the Minister for the Cabinet Office's view on this—is that these matters should be elevated to Departmental Boards, so that the non-executive directors are involved in understanding what goes on here. In relation to the importance to a board in reporting, a thing like this management tool could be very useful. We are working with Permanent Secretaries to bring that exchange of information.

My view is that we are starting to get traction on this. It is not that people are pushing back for pushing-back reasons, but it is a matter of convincing them that their priority of time needs to be this as well.

Q24 Stephen Barclay: Would it be unhelpful or helpful if, given that the personal objectives of Permanent Secretaries are now going to be published, a personal objective of a Permanent Secretary was the delivery of an integrated assurance plan?

Chair: Go on, Sharon. Have a go at that one.

Sharon White: The context of the civil service reform White Paper is quite important, and the Committee has had a view on interests on the accountability of Permanent Secretaries. That issue of Permanent Secretaries being accountable for delivery, as much as for the policy content of their Departments, is really important. Personally, I would not mandate an IAAP as a product, but I would certainly want to have traction on Permanent Secretaries' objectives in the delivery of projects. That is potentially a very powerful—

Q25 Chair: What does “have traction” mean? Define that.

Sharon White: As in, if I am a Permanent Secretary, I am as responsible for whether Universal Credit lands in four years' time and you have a power to recall me, even though I may have moved on from DWP to a new Department, which is one of the features that the Civil Service Reform White Paper gets into.

Chair: I think we've got there before them, actually.

Q26 Stephen Barclay: We have the power already and it doesn't work. One only needs to look at fire control and Sir Peter Housden to see that demonstrated. He was the accounting officer for five years, and it does not work for the same reason that NHS IT did not work with Sir David Nicholson. Any one individual project is only one of a number of things that an accounting officer is delivering, and therefore it does not have sufficient traction.

I fully accept Mr Pitchford's position that he wants to keep the relationship, and the Committee is trying to

25 June 2012 Cabinet Office and HM Treasury

assist with that. I am curious as to how we move from the generalities and the rhetoric to something measurable in 12 months' time.

Sharon White: My personal experience is that this has worked well in the last six months where you have a Permanent Secretary who is looking at the wider capability of their Department.

Q27 Stephen Barclay: I am interested in the ones who are not.

Sharon White: I know, but in terms of how the incentives for Permanent Secretaries work, there is a question here that that is as much about carrots as it is about sticks. Obviously, one route to go is naming and shaming the Departments.

Q28 Stephen Barclay: But I thought they get bonuses if they deliver their personal objectives. So there is a carrot, if this is one of their objectives.

Sharon White: There are bonuses and there are measures of their ability to manage their finances effectively, into which the Treasury has a strong entrée. Again, this could be part of that.

Q29 Stephen Barclay: But Sir Peter Housden, in the CSR 2007–11, at the interim stage had delivered only 5% of his efficiency targets, as I am sure you recall. He also said in his annual report that he was not going to deliver the CSR 2007–11 target because of factors that he claimed were beyond his control, and which were known at the time the objectives were set.

Sharon White: As I say, one of the things that we are looking to do is have a much stronger performance management system. That, as you say, partly reflects comments from the PAC in the past that for Permanent Secretaries, as for other civil servants, there will be a clearly identified bottom 10% of performers, based on objectives that will include their ability to manage their finances and deliver their projects effectively.

Q30 Stephen Barclay: To assist Mr Pitchford's important work, would this not be a good specific example?

Sharon White: My own view is that delivery implementation ought to feature as part of Permanent Secretaries' objectives and performance-related pay. Personally, I would not make an integrated assurance plan, which is very specific and very concrete, necessarily key to all their objectives.

Q31 Stephen Barclay: But an objective?

Sharon White: It may be part of a broader piece, but the issue of delivery is more important than specifying an IAAP that may feel quite micro and very easy to bypass for a particular Permanent Secretary.

Q32 Chair: I will go to James and then Austin. Come back in very quickly, Mr Pitchford.

David Pitchford: I will try to do this quickly. One of the things I would suggest is that, having been a Permanent Secretary in Australia, where I ended up with 73 objectives in one year, it becomes very difficult. I would like to respond by saying that the process I would recommend is that my organisation should get together with these Permanent Secretaries

to talk about how important IAAPs could be in meeting their overall delivery responsibilities. If you look at it from the point of view of the power of the management tool, that would be a much more productive way of doing it. Having talked to Sir Bob about my role in helping to implement the overall reform plan, that is the thrust of our approach. I think that will be productive. We are not going to let it go, but we are going to come at it from a sort of collaborative approach.

Q33 James Wharton: Mr Pitchford, Dr Van Grondelle indicated that in the commercial sector he would expect assurance measures to be about 0.2% to 0.5% of the capital cost. I am just looking at what you are trying to do. You are looking after projects of £376 billion—205 different major projects that you have to worry about. I have done a quick calculation, which is broadly right, that 0.2% of that—the very lower end—would be about £750 million, yet your budget is about £6.3 million this year, which is less than 1% of the 0.2% of the capital costs, which was seen to be the lower end in the commercial sector.

Chair: If your arithmetic is right, James—the new GCE.

James Wharton: Absolutely. Are you spread too thinly? Do you need more resources to do the job properly?

David Pitchford: It does put your place in the universe at question, doesn't it? It is not so much a question of being spread too thinly, but where the Government find themselves and my Department finds itself is what we are going to have to deal with. The situation in terms of the resource allocation is not up to me, but it is up to me to try to deal with what I am required to use.

I have heard Marc before—I came across him when he was at Shell—and these companies have got massive resource capabilities. The reality of it is that this Government in this situation are trying to arrive at a strong forward way in relation to the way they do their major projects. We simply do not have the luxury of being able to allocate the numbers of staff and resource that these huge corporations do.

If I may just continue a little, the percentage of people allocated to the task cannot be the way that we need to go about this. Simply on the MOD alone—I said to Mr Bacon, when I was here last time, that we could actually dwell on the MOD just by itself. That is not because the MOD is not very good at what it does; it is just the size of the piece. If you look at—in your Report, I think it is on page 22—the size of the obligation that the MOD has, the only way that we can be centrally aware of all of it would be to change the way we go about it.

Madam Chair, we have talked about this before, and I said we would have to prioritise to do what we can do and during the space we can do it. It would be dreamland to have anywhere near the access to that level of staff.

Q34 James Wharton: Absolutely. I accept that you are not going to get up to that sort of level, but at a more base level, could you do with more? Do you think, given that we are effectively investing to save—

the Government are spending money so you can stop projects running out of control that will cost us money in the long run—that we are spending enough to get the maximum benefits out of the work that you do, or should you have a department that, without putting a figure on it, is significantly larger but can do more and might save more in the long run?

David Pitchford: Because of what I have said before, we have had to come up with a different way of attacking this. The way to attack it is to teach, educate and expose people to how they can become much better at their jobs, rather than put a whole heap of more people into the assurance base. This is where the Major Projects Leadership Academy will pay off in the mid to long term. We will actually show people how to become much better at this, to make strong impacts into their Departments and therefore require less resource generation into the MPA, because we will have a whole bunch of disciples, if you like—it is probably not the right word—in Departments, rolling this out in a cascade that we think will give us a much longer-term and better outcome.

Q35 James Wharton: I have one final question and, if that is all right, I am going to ask a double-barrelled question to get it in. You are talking in the future sense, Mr Pitchford, and I understand that you are saying, “This is where we want to get to”, but what about today and doing the assurance work today? Again, just to come back to the question I asked previously: do you have the resources you need to effectively do that today, not to prepare it for the future?

The second part of my question is: given the resource constraints that you have and the focus that, because of their size and political significance, you have to put on certain big projects, is there a danger that you are missing out on some of the smaller projects where problems may arise, and that you are unable to assess future problems that could be coming along the track because you are focused in certain areas and are not perhaps as attuned to picking them up as you might be?

David Pitchford: That is fair. Because of the nature, complexity and cost of the projects that we have to deal with, we need to dwell on the high-risk, high-value and high-reputational-damage-potential end of the spectrum. In the MPA, we have to think about what we call the pyramid of priority. At the top are the projects that we see are within those three areas of priority, and below are ones that are currently not of the risk and value. I agree with you: just because they are medium-to-low risk does not necessarily mean that they are well run, but the focus for us has got to be to dwell on the more high-risk end.

Q36 Meg Hillier: I want to push on that particular point a bit more. You talked about reputational risk and financial risk. I can see that as a Minister or a Permanent Secretary of a Department, you might have a lot of pressure for reputational damage. But you are looking at the public pound. Perhaps this is a bit for Sharon as well. Which one would trump? I am sure that you are not going to give me a definite answer, but I can see that the reputational damage to any

Government is going to be a big driver, whatever the financial situation. How do you resist that when it is more important to look at the money?

David Pitchford: It is really applied through a joint approach between the Treasury and the Department to come up with the portfolio priority itself. Briefly, how this works is, when we set the MPA up, the Treasury spending teams, my organisation and the departmental management team agreed what would be the priorities within the Departments from the perspective of those three things. We were also looking not only from the perspective of Secretaries of State and Ministers in terms of reputation, but in terms of the bottom lines and reputation of Departments as well. That is how we structured them.

I think the numbers are roughly these, but I will check. If I give you the wrong ones, I will correct them. We use the DFT as a sort of target in how to set the portfolio up. My recollection was there were roughly 200 or so major projects under our definition of, “If your project is outside your departmental expenditure limit and you require a spending approval from the Treasury, then you are on the portfolio.” We would work together to establish which were the priority projects. We did that with those roughly 200 projects. I think there are 15 projects within DFT that we concentrate on and prioritise.

Q37 Chair: Can we just stick to resources for a minute? I know that Amyas wants to come in. How many full-time people do you have?

David Pitchford: If I can get them to stand still long enough, we have 38.

Q38 Chair: How many did you have last week, then?

David Pitchford: We have 38, but I have a whole lot of other resources that we use across Whitehall that we have marshalled through other means, which I could talk about if you want me to.

Q39 Chair: They are in the Report. There is a difference between having someone working within the project and having external assurance.

David Pitchford: That is true, but we are also recruiting and using interventionists across Whitehall, not just reviewers. These are people who can come in and be used to, if you like, parachute commercial or contract management capability into failing project teams. It is much broader than just reviewers.

Q40 Chair: James asked the question in one way. I would put it to you in another way. With only 38 full-time equivalents, accepting that you are training up people and running projects to do it better, and accepting that you can get your interventionists from elsewhere, it almost feels that you have been set up to fail. That is what it feels like. The impact that you can have with such a small unit is so minimal. You may well rescue and manage universal benefit, but given the enormity of the challenge facing the public sector and the failures that Richard has watched over the past 10 to 12 years, with 38 full-time equivalents and a little bit here and there, you are set up to fail.

David Pitchford: I am probably going to have to let you observe that, I am afraid.

25 June 2012 Cabinet Office and HM Treasury

Q41 Stephen Barclay: Could I put it slightly differently, Chair, given that we have the Treasury here? The witness before was extremely complimentary about the impact you have had with the 38 members of staff and the respect that you carry, which I think is a great tribute, and one we should recognise. From a Treasury point of view, has an assessment been made of the return on capital, if the team was taken to different sizes? Has anyone actually looked at that and said, “Well, if we increased it by 10%, 20% or 50%, the potential savings in other Departments might justify that cost”?

Sharon White: We haven’t, but I think one of the things we want to develop is a clearer performance framework for the MPA.

Can I say two things? I would not understate the importance of the externals in terms of supplementing the core team. Certainly on the reviews I have been involved in, having really excellent externals doing the project assessment reviews has been absolutely critical.

Q42 Chair: External from elsewhere in Government, you mean.

Sharon White: Either elsewhere in Government or external to Government.

The other thing I would say, which partly comes back to the question of many projects, is that there is a process below the MPRG—the so-called Treasury Assessment panel—so with things that are still quite novel, contentious or quite risky, you will have a Treasury spending director or Treasury deputy director running through the process. We are still scrutinising some of the medium-sized projects that are still quite risky, and still have quite a lot of pound signs attached to them. My own perspective of the last six months is that this is not a resourcing picture where you want a much larger core team. Actually, I think the question about resourcing is having sufficiently sharp experts who, to be frank, do not get captured by the Department when doing a project assessment.

Amyas Morse: I want to underscore something, and this is quite a significant finding in our Report. I am only saying this because I think it is a slightly difficult answer for you to give. Of course, we are not thinking in the Report that you could have the same levels of assurance that you have in the private sector or any of these extreme things, but our assessment is that this is a success, and we admire that and recognise it. We also think it is at a stage where it is not substantially enough established to be built to last, and we say that in our Report. By that, I mean that you are very dependent on just a very few key people, principally yourself, but not just you. I think it needs to be more substantial. I am not talking about some extreme example or anything else like that, but it feels to us that it is paddling incredibly hard to achieve the results it is achieving. Good luck and well done, but if you want it to remain a permanent feature and really change things, it needs more generous resourcing than it has now, even at the relatively small level it is.

I am not expressing an opinion; I am just pointing you to section 12 in our Report, which evaluates all this very clearly and which is based on all the evidence

we found, and is in our agreed Report. Just be careful that you don’t find that something that is a success is made vulnerable by not building it to last.

Chair: Do you want to respond to that, either of you?

Sharon White: My personal view about risk factors is to make sure we have proper succession planning for David, who I think has enormous personal leadership.

Q43 Chair: How long is your contract, out of interest? Are you on a contract?

David Pitchford: Yes, I was on a contract. It was due to expire in January, and I have been offered a permanent place.

Q44 Jackie Doyle-Price: I would be less concerned about the issue of resource if we had proper leadership throughout the system. You are trying valiantly to implement cultural change, but to deliver that throughout Whitehall it needs to be understood across Departments that this is very much a priority for the Government in general. We have had some really good stuff—last week we had the Civil Service Reform White Paper—but it is not getting through. What more can the Treasury do to stand behind this process because, ultimately, we are about delivering some serious value-for-money outcomes.

Sharon White: I do not know whether this is a point at which you would want to pursue the Treasury’s role. Thinking about my diary in the last six months, the MPRG is the single biggest thing I have spent my time on because, for a Treasury spending team, it is one of our strongest levers in terms of spending control in this spending review. I think the MPA will have increasing traction where it is clear that the Treasury is taking funding decisions on the back of the appraisals.

Q45 Chair: On the extent to which this Report suggests, on page 6, paragraph 7, that you do not draw on the recommendations of the MPA for funding decisions, is that true, false or changing?

Sharon White: I think that we are doing hugely better. I know that there are some stats in there about the attendance or not of the Treasury at the MPA board. The fact is that a director-level senior person from the Treasury has always attended the MPA. I think that there is partly a misunderstanding about where Infrastructure UK fits into the Treasury. They are one of my spending groups. They head one of my spending groups. Indeed, Geoffrey Spence is so elevated, he reports directly to the Permanent Secretary, not to me. It is something we take incredibly seriously. Having the Treasury there—all respect to David—is incredibly important.

Q46 Chair: Do you draw on the MPA recommendations in your investment decisions?

Sharon White: We certainly do. Can I give you a concrete example? Probably the most frequent engagement I have had in the past few months has been with DECC, which I think is a Department that is seeking to improve itself quite significantly—

Q47 Chair: This is smart meters.

Sharon White: Not just smart meters. Alongside MOD, it has the set of the most innovative, complex and difficult untested issues, whether that is carbon capture and storage, smart meters or trying to build a nuclear power station with no public subsidy. One of the things that has become very clear is that there are departmental-wide issues and challenges. We had a process where we were looking project by project, and the issue is whether the Department has the commercial capability. David has been involved in the capability review of the Department—quite interesting. We had a conversation—Treasury and the MPA—with the DECC management board, the Permanent Secretary and her DGs, to look at wider issues about how the Department is beginning to integrate its projects and to look at its commercial capability as a whole, with the Treasury spending team there.

As I say, we are not perfect. We are on a journey, but the more the Treasury is seen as making decisions on the back of this, which is beginning to happen, the more traction David will have.

Q48 Mr Bacon: Do you agree with what our previous witness, Mr Van Grondelle, said, “assurance should never be without consequences”?

Sharon White: I think that is right.

Q49 Mr Bacon: Do you think that the MPA should have a reset button in the way that Mr Van Grondelle suggested?

Sharon White: If that means that the conclusions from an assurance mean that a project needs to be re-scoped or stopped or re-sequenced, I think, yes. I very much see my job as basically to provide support to David in the conversations with the Chief Secretary—

Q50 Mr Bacon: And that the ultimate power to take that decision should rest with the Major Projects Authority in conjunction with the Treasury?

Sharon White: Exactly. It is very much a joint process.

Q51 Mr Bacon: Rather than with the Department of State concerned, ultimately.

Sharon White: Yes. Ultimately, the Treasury, with the MPA’s advice and expertise.

Q52 Chair: Is that going to happen, Sharon, or is this just what you would like?

Sharon White: I think that is where we need to be moving to, and there are examples already.

Q53 Mr Bacon: So you would be able to turn round to a Permanent Secretary, a Secretary of State or a Department of State, and say, “You’ve been trying too long, for any good you’ve been doing here. Stop.” You cut off the money. Yes?

Sharon White: Yes.

Q54 Mr Bacon: And has that happened yet from the centre?

David Pitchford: Pretty much.

Sharon White: There are examples of stoppage and very many examples, even in the past few months, of re-scoping.

Q55 Chair: Very many examples?

Sharon White: Yes, of re-scoping.

Q56 Chair: We can think of two.

David Pitchford: The National Programme for IT at the Department of Health is an example, in effect, of this reset button. We recommended—

Q57 Chair: Which programme?

David Pitchford: NPfIT.

Q58 Chair: We know about that and we know about the carbon capture. Those are the two we know about.

David Pitchford: The third one is e-Borders, where the recommendations were to terminate contracts. In relation to NPfIT, we made recommendations to Ministers and the Secretary of State that the project should be halted and dismantled, and those recommendations were adopted.

To a certain extent, we do have the capability, but there needs to be a certain arrangement; the events need to fall in a certain direction. We do not have the power to go out and require wholesale change in the way that you are suggesting, but we do have the power when, for example, a project has been running at the red end of life for four or five years.

Q59 Mr Bacon: In other words, if the car crash is big enough, you can get it stopped. I spent years trying to find a red button to press. I spent quite a long time briefing your Department when they had a Prime Minister’s question. I spent ages briefing Downing Street and indeed the Cabinet Office to try to make sure that in whatever answer was given, it completely ignored the Department of Health. I am delighted to say they did. The president of the corporation was giving an analysts conference to some stockbrokers in New York when the Prime Minister happened to be on his feet—I did not plan this; I did not know this bit—and within two minutes one of the analysts said, “Do you know the British Prime Minister has just said you are not going to get any more contracts?” But it should not have been down to me. There should have been something inside that should have made it happen earlier.

Q60 Meg Hillier: That brings me to a point that might put the answer in context. If a Department, whether it is a Permanent Secretary or a Minister, calls upon you to look at a project, do you say no if it is not on your risk list, or do you go in and do it? I can see that there would be many motives for doing that—good and perhaps not so good—but if I were a Minister and I had a problem, I would welcome your input, but it may be that it just would not hit the radar for you. In that context, can you answer that as well?

David Pitchford: I can answer that from a couple of different perspectives. Yes, we have had commissions from particular Ministers about particular concerns. Indeed, the National Programme for IT was a commission from the Prime Minister himself. We

25 June 2012 Cabinet Office and HM Treasury

have also been asked by Ministers to look into projects that had the appearance of being troubled. We also have, increasingly, Permanent Secretaries from Departments asking us to come and have a look and see what we think should be done about their projects. Of course, then there is the process of the GMPP ones as well.

Q61 Meg Hillier: That is an issue for your resources, if more people start asking.

David Pitchford: It is an issue for resourcing, but I will be open about this. One of the ways to build this collaboration is to actually help when someone needs help. So we try to do that, but we are quite strong about the priority aspect. You might think that we have not got enough resources, but what I am resourcing overall is the collaboration. Without that, we are not going to get this done, because the number of resources means that we need to work with Departments to get it done. Doing this sort of stuff also gives us good outcomes in terms of departmental collaboration.

Chair: Austin next and then we will deal with the Treasury relationships, which we have not dealt with sufficiently.

Q62 Austin Mitchell: I still think you are under-resourced. With 40% fewer staff, 25% less money and more projects to do, you are under-resourced. After this testimonial from the National Audit Office, and the demand that you say is coming from other Departments, you are surely in a position, when your contract is renewed in January, to go and demand more resources to do the job, aren't you?

Amyas Morse: Career advice.

David Pitchford: I can see why you would think that, Mr Mitchell. The reality of it is that we all know that in the realm within which we have to dwell, I am not going to be able to ask for, nor be allocated, a whole bunch more resources, so we just have to get smarter and better. I know that you have heard that before, but that is simply the way that it has to be.

Q63 Austin Mitchell: No amount of smart and better—extra smart and better—will enable you to grapple with a thing as big, as complex and as risky as the Universal Credit. I cannot see how, with 38 people, you can possibly cope with a project of that size with those risks.

David Pitchford: I guess one of the things we do is spread the load a bit. I talked to you in the private session about how I prioritise my time, and I certainly dwell at that end—I do a lot of dwelling, don't I? I certainly concentrate on those very difficult, high risk ones. I have a great team and they work harder than any team that I have ever had in the world. I guess that is a function of the demand.

Sharon White: The Universal Credit is a good example of how outside expertise being brought to bear was really important. The person who did the assessment and review—Faith Boardman—had been at the Treasury and she had worked in DWP. We had our chief micro-economist and labour market specialist on the panel. We had David, but we also brought in Martin Read, who has done very big ICT

projects. The core team was obviously very important, but in terms of those who provided expert scrutiny, it is largely outside David's core team.

Amyas Morse: You are making them fire-fight a lot, I think. That is a concern. The core team is over-trading.

Q64 Austin Mitchell: I am glad to hear that. I remember that it took Richard Bacon 10 years to kill the national health computer system. Should Departments not be required to send staff to you, to provide staff to act as assessors? You say that you are educating them, but why can't you have the power to draw on departmental staff as part of the assessment programme?

David Pitchford: We have trialled this with great success, and that is one of the reasons why we are looking at this part-time interventionist role; I do not mean three hours a day, but for a period, to use them to come in and do a task for us for maybe two or three months. Plus we have used the commercial exchange programme, where we have brought someone in, for example from Serco, for six months, to give us additional skill and insight. That worked terrifically well, so we are going to try and expand that, but in terms of wholesale resources, the Government are just not in a position to provide them so we need to make do with what we have got.

Q65 Austin Mitchell: May we just move back to the Treasury? Is the Treasury sulking or something?

Sharon White: If there is no money around, I think we are probably all sulking.

Q66 Austin Mitchell: The Treasury's public spending group attended only two of the six authority board meetings between April and December 2011. Why are you not providing more help to this under-resourced project?

Sharon White: Maybe I can elaborate. The Treasury was at every MPA board meeting. I think it is just a question of what constitutes the Treasury public spending group. I have a number of Directors and at least one of those directors was at every MPA board meeting. In some cases that was a chap called James Richardson who runs the spending review, and in some cases it was Geoffrey Spence who runs Infrastructure UK and is an integral person on the MPRG—he is sufficiently more exalted than I am, and he reports directly to Nicholas Macpherson. We take this extraordinarily seriously because, as I mentioned, it is the biggest lever we have to reduce the risk of things going badly wrong in the current spending review.

Q67 Austin Mitchell: You could refuse to fund a project that does not comply with the assurance requirements.

Sharon White: We could certainly put in advice to the Chief Secretary to that effect, or to re-scope, to re-phase or—

Q68 Chair: Sharon, you said that you were on a journey, which I find difficult words. What I think the Committee would like some assurance is that, in

taking funding decisions, where the MPA has done an assurance project, can you give us the assurance that you will consult the MPA before taking the decision on funding?

Sharon White: Yes, but I would put it in a different way.

Chair: Yes?

Sharon White: Yes, because the advice from the MPA is not a Cabinet Office process but a joint process; I write with recommendations coming out of the MPA to the relevant Permanent Secretary, signed off by David and by my Treasury spending team. I do not see this as two processes.

Q69 Chair: May I ask you three questions that flow from that? In the Report, on page 27, paragraph 2.29, it says that Treasury and Cabinet Office have “separate” controls and authorisations on ICT projects. Are you sorting that out, so it is all part of the same system?

Sharon White: Yes. We are not completely there—

Q70 Chair: When will you be there?

Sharon White: Hopefully, in the next few months.

David Pitchford: I would think absolutely by the end of this year but certainly in the autumn, as you say here—where I come from, you would say October. What I mean by that is that we are trying to set a deadline to get this sorted, in terms of the intersection between the two main Departments, but we have established a thing within the Cabinet Office called ICT Futures, which is now solely responsible for looking at—

Q71 Chair: I understand that but it has separate controls from Treasury controls. What you want to do is to merge the two.

David Pitchford: That is what we are looking to do—align those controls.

Q72 Chair: Okay. Another thing is that on page 31, the Report says that Treasury reviews MPA’s assurance plans, which seems daft to me. Why do you not, again, just work together? I bet you have another group of people sitting around in the Treasury—

Sharon White: We cannot afford to have lots of people sitting around the Treasury—

Chair: Quite, I agree.

Sharon White: I don’t know if this is a reference to the spending team, but the spending team, the people who actually have the interface with the Departments—

Chair: I just know how the civil service works, Sharon. There will be people inside Treasury duplicating the work done by MPA.

Sharon White: I promise you. As I say, I do not want to pretend that we are, for every Department and every spending team, in an ideal situation.

Q73 Chair: The final thing that I think is a Treasury issue, which comes up in the Report, is that you do not look at the cross-Government portfolio when you are making a decision on a particular project. It just seems such common sense to do so that I cannot

understand why you do not. Perhaps you can talk us through that and what plans you have for the future.

Sharon White: Can I say a couple of things? One issue for us is going to be that we think the GMPP—the portfolio information—will be really vital in the next spending review. One of the things we did in the last spend review was to try to do a cross-Departmental comparison of value for money for different capital projects. Actually having real information on deliverability will be really important. One practical issue we have is that, as you know, the projects are just incredibly diverse, so one of the things the MPA is trying to improve is having data which are comparable across the portfolio.

Where we are making progress is where we have cross-Departmental systemic issues that have arisen—as I say, DECC is one example; the MOD is another example—where there are issues about how their commercial expertise is allocated internally. I do not think this is somehow the Treasury saying that we do not use this information or that we have some “in principle” objection; it is something we will be looking to do for the next spending review, and we are trying to use the information arising across Departments to have more bite.

Q74 Chair: But this thing is not static, you see. If you do it in the CSR, you take a view at that point in time. As David Pitchford has said, things go in and out of problems. If you just do it at that point, I can see that the next CSR might take smart meters away from DECC and might put a little more money into Universal Credit, let us say, but it is wrong to do it statically. I think what the Report is trying to say to you is that this should be an ongoing, continuous process—across Departments.

Sharon White: And I guess what I am saying is that, where there are important data and information that suggest major switching, that is obviously something that the Treasury will need to look at and take seriously.

Q75 Chair: I do not know what that means.

Sharon White: For example—

Chair: No, I mean “look at and take seriously”. Does that mean when we get the next spending review settlement period—when that is up and running—if projects run into trouble during that spending review, you would be quite happy to take money out of one Department and allocate it to another?

Sharon White: I think at a big level, certainly. For example, if universal credit—entirely theoretically—goes seriously off track, the Government could decide an alternative use for money, that is clearly a discussion that the Treasury is going to have: where do we want to put that money that is most going to improve growth for the economy? I guess what I am saying is that we do not have the data yet—it is in progress—from the GMPP, which allows us to do that.

Q76 Stephen Barclay: You mentioned the Universal Credit programme. With the major programmes you are looking at, do you assure whether interim milestones are in place for programme directors and

25 June 2012 Cabinet Office and HM Treasury

SROs, so that they do not move prior to completion of those interim milestones?

David Pitchford: The application of the concept of the integrated assurance and approvals plan, which is the tool that frames that, is to have not only the approvals points, and the assurance points that inform the approvals points—did I say that right?—but to have the critical milestones for the project delivery team built into that plan as well. The really strong approach to it is that those are not moved without the agreement of the parties, and the parties are the MPA, the approvals team and the spending team.

Q77 Stephen Barclay: That is helpful, but given that you said earlier, Mr Pitchford, that a number of Departments have not implemented that, for those Departments that have not implemented that but have high-risk projects that are on your radar, have you sought any additional assurance or will you be doing so in terms of the churn of staff, because that is again an issue that this Committee has highlighted frequently?

David Pitchford: Yes, I understand you have. Yes is the answer. What we are looking to do is to do more deep dives into the projects that have not had as much attention—because of the priority aspects that I mentioned before—because the streaming, if you like, of the projects has put them into a difficult situation. For example, you have projects in Departments that have come up against deadlines. In the MOJ there are projects that have come up against a whole new range of challenges because of the outcomes of the riots last year. We have had to look at how to restructure and reorganise those. A lot of those elements are beyond the control of both the Department and the project team. One of the things we can help do is see how the control process might be reapplied.

Q78 Meg Hillier: You have had a lot of plaudits today, Mr Pitchford, so congratulations on those. However, if I can refer you to page 16, figure 3, could you give us your assessment on the score card? The Prime Minister's mandate sets out eight key tasks for you as an organisation.

David Pitchford: What page is it?

Q79 Meg Hillier: Page 16, figure 3: the eight requirements of the Prime Minister's mandate. Could you tell us what progress you have made against each of those in your view and where you think the weaknesses are or the errors yet to be resolved?

David Pitchford: In terms of the portfolio, we have made great strides. Just getting it done was beyond imagination. As Mr Bacon and I discussed last time, when we started out, the quality of the management information was so unbelievably appalling that it was hard to get any traction. I think we have done well in relation to that, in isolating things we never had an understanding of before, such as the churn of SROs and project directors and what we should be doing about that. By the way, if we run out of time, I am on that as well.

Q80 Chair: In MOD are you?

David Pitchford: Yes, as well as elsewhere.

Q81 Stephen Barclay: Although MOD said it would be some time before it moved to the new model, because of the existing two-year postings of service personnel.

David Pitchford: We've got a cunning plan about that.

Q82 Chair: Share it with us.

David Pitchford: It is to have different sorts of models, not just one. Our thinking is that we will work with MOD to build a flexible model for an SRO. We have had success. My deputy Steve Mitchell, behind me, has had great success. We have got MOD to reappoint an SRO for four years not for the two-year promotional settlement.

Q83 Chair: Not doing aircraft carriers by any chance, is he?

David Pitchford: I probably can't answer that, Madam Chair. In relation to the IAAPs I have probably said enough, have I not? In relation to the rest, in terms of Starting Gate, one of the things you will see in the crossover to the reform plan is that there is much more emphasis on delivering Starting Gate in relation to new projects as part of the reform plan. There are other elements in there that will help us do that. Starting Gate has been very useful but it has not been well applied by Departments.

We have talked about this before: there are some situations where these major projects are started and out of the stables before Starting Gate. There we have had to apply a variation on a theme. I think we have done reasonably well there. Are you going to ask me to put a percentage on these?

Q84 Meg Hillier: I was just going to ask exactly that question. How did you guess?

David Pitchford: I did an exam at university that offered a chance to self-assess. So I gave myself 100 to see what would happen. I got 100. So I might do that.

Q85 Meg Hillier: Not a bad grade. We won't expect 110.

David Pitchford: I think 85% in terms of the GMPP; about 60% in relation to IAAP; 60% in relation to the Starting Gate. In relation to—I can't read this—

Sharon White: Escalation.

David Pitchford: Escalation, yes. In relation to escalation, I think we have got a good story there, because it has never been done before, and we have done it in three cases that have been successful. It is not that we are celebrating in any way. We are not celebrating that we have closed down projects. What we are celebrating is that at last we have a process by which you can do so, if it is necessary. That is why I think we have a reasonably high score there. I would go for 75% to 80% there. Can you help me again, Sharon?

Sharon White: "Additional assurance and direct involvement where projects are causing concern, including the provision of commercial and operational support."

David Pitchford: That is a work in progress, so I would go for 60% there. If you look at where we were when we started, we were about 50% behind into the

negative, so we have come a long way in relation to that. If you add the impact of the Major Projects Leadership Academy into that space, I am sure it will be three to five years before we get serious traction there. When it does come, the power of it will be absolutely outstanding. So I think that that is a reasonable start. I accept that it is only a start. We have been going a year, and in the next two years we are going to introduce two more pillars to the MPA. I could tell you about those briefly, or I could tell you about them next time, whichever you prefer.

Q86 Chair: Tell us about them.

David Pitchford: We have established the portfolio in the GMPP. To educate and expose the leaders of those projects to world-class techniques, we have set up the academy. We have had a terrific response to that. In the second cohort there will be 37, so we will train about 66 people in the first year and we will elevate that to 90 or so a year. By the time we are three years in, we will be up there with 300 people who have been seriously exposed to much better practice.

At the same time, we have set up a thing called the civil service project leaders network, in which all the SROs and all the project directors from the portfolio come together in an interaction that is designed to start to breed cross-fertilisation, exchanging information and ideas but also support. The two new elements that build on that are, firstly, the operating environment. Very briefly, this is a notion about looking at major projects of the nature that we have in a different way, namely that to be effective in doing them you have to build a temporary organisation to build them successfully, and you need to do that at the start. You need a configuration within which there is a whole range of capabilities and work streams that enable you to build on these projects from the outset. It means the application of genuine portfolio management within Departments, and it means structuring Departments so that the operations are different.

It comes to the SRO and the project director, and the notion that we are applying to this piece of thinking is more that the SRO, as the chief executive of the project—in other words, the last point of accountability to the accounting officer—does not necessarily have to be full time but has to be the last point of control and the person who builds the temporary organisation and manages upwards. The project director is more like the chief operating officer who manages the day-to-day operation and the decisions flow downwards to keep the project going. That is the thrust of that.

The fourth pillar is a thing called achievements and learning. It is, for the first time, to build a new dimension within which there are a whole range of learnings built on some of the outcomes of the academy and some of the others that we would build—starting with, after the Olympics, a new way of accessing the Olympic Delivery Authority legacy learnings—and mould those into the work that we have brought together. Currently, one of the problems with this understanding of being able to find out where things have gone on before, how well they have been done, why and why not is that it is a major piece of research to try to get it done. We are looking at a new

dimension where you can access that quite simply. I will explain more about it later; I am running out of time and words.

Q87 Stephen Barclay: Clearly, the difficulty with skills is something we have highlighted repeatedly over many years, so it is very welcome that it is being looked at. In terms of benchmarking our starting point, how many current Permanent Secretaries or SROs in operational Departments would not have a minimum of two years' operational commercial experience?

David Pitchford: I would only be able to respond to that by perception, and to be fair to them I probably should not. A fairer way to respond would be to say that up until two years ago, it may be true that a lot of them were oriented towards policy without too much focus on delivery. I think a whole range of things has changed through that. Sharon's point about the reform plan is fundamentally important. The MPA has had a terrific response from every Permanent Secretary about this delivery responsibility.

Q88 Stephen Barclay: But 70% of what the civil service does is operational, as of today. If 70% of what the civil service does is operational, it would be pretty strange to say, "The people we put in charge of operational programmes do not have at least two years' experience." Yet the Civil Service White Paper trumpets it as a major change that we will require all Permanent Secretaries to have two years' experience. I was quite surprised that we were setting the benchmark so low, which prompted the question: how many of our Permanent Secretaries today—

Chair: Stephen, I think that is honestly more a question for Bob Kerslake.

Q89 Stephen Barclay: Surely that goes to what we are training the people in the academy for, doesn't it?

David Pitchford: Hand the majority of Permanent Secretaries to the academy for a full-day work swap to introduce them to those concepts, so it is being aligned.

Stephen Barclay: Does that go to figure 3? We have 6, 7 and 8, which are all to do with that.

Jackie Doyle-Price: My concern has always been—

Stephen Barclay: Sorry to cut across, Jackie, but I thought that understanding is core to working with Departments to build capabilities in projects and programme management. Again, one of the key risks for you is if people running these high-risk programmes do not have any commercial or operational experience. I would have thought that is one of the first things you are looking at.

Chair: Jackie, put it another way.

Q90 Jackie Doyle-Price: My concern has always been that the machinery and culture of Whitehall puts too much priority on policy and not enough on operational delivery, which is why we are seeing this over and over again. I am seeing positive signs that that is changing, but my concern is that that is not enough. The machinery is not getting a strong enough message from the leadership that the world is changing. What more can we do to do that?

 25 June 2012 Cabinet Office and HM Treasury

Obviously, we have the academy, which is great, but it is going to take a while to get a sufficient critical mass of senior managers through to start delivering the change. You outlined earlier that there are some Departments that are still not getting with the programme, if I can put it that way. Again, we come back to this issue of leadership. What more can we do to give that message, “Come on guys, you have to embrace these disciplines”?

David Pitchford: Perhaps I can offer you some joy in relation to that, because the Permanent Secretaries themselves, in terms of the outcomes that they have already perceived and what they want out of the major projects leadership academy, have mandated of their own volition that, after two years from March of this year, they will no longer appoint people to be SRO unless they have been through the academy. So they are giving it genuine traction. Many of them have spent the day at the academy learning about it and becoming involved. As a result, there is quite a lot of interest. They have formed a group within their Wednesday morning group to keep driving this, so there is take-up on it. Even in the two years that I have been here—when I first arrived, you were an odd person if you do what I do—it has become common knowledge.

The most useful graph is on page 22. One of things that is bringing it home to people is that, if you look at the DECC obligation for delivery in relation to this chart—I have just done the capability review for DECC with support from the MPA—an obligation that is second only to the MOD, with an operational and delivery capability probably smaller than every other Department, the Permanent Secretary of the Department is right on to this. She is having the MPA and others help her to build the capability to acquire people in order to prioritise a portfolio approach for her Department to manage that commitment, which should be strongly applauded.

Q91 Jackie Doyle-Price: In terms of the Secretary of State, to what extent does he escalate to Ministers where they have poor capability? Ultimately, I get the impression that officials hide behind the fact that these are major policy commitments. When the Ministers have made something a priority and you come in and say, “Hang on, this is going awry,” it is very easy for them to take less notice than they should if they think their Minister is standing behind them. So to what extent is this being properly escalated throughout the machinery of Government?

David Pitchford: I am not completely privy to what goes on in the halls of power, but my overall experience is that we have had terrific support at Secretary of State and ministerial levels in relation to what we do. Certainly, some of the reports that we compile and deliver are difficult to swallow, but I have never had anyone who has said, “We won’t accept this.” Again, this is a process that is about progressing towards, rather than being able to achieve it immediately. There is a cultural element in that there weren’t creatures like us two years ago, so it is taking some adjustment. I have to admit that, because it is the same in Australia.

Q92 Jackie Doyle-Price: It’s a big task you are taking on. This is major cultural change.

In terms of the academy, how is that resourced? Is that work being done from within your team or elsewhere?

David Pitchford: It’s a joint venture between us and the university. I have got a team of four within my operation that does this, and they have got a bigger team; obviously, if you include the faculty, they have got a much bigger team. It is a well-worked joint venture. I couldn’t be happier with the output, to be honest. They have got a terrific manager, a young woman who has risen above her station enormously to get this in place and who should be congratulated on that. The way that the university has embraced it is something to behold as well. We were lucky enough to have come up with a thing that had never been done anywhere before, so it has been great for the Government, in my view, but also great for the university.

Q93 Jackie Doyle-Price: The previous witness raised a point that rang alarm bells in my mind. Managing big projects is as much of a challenge for the private sector as for the public sector. Quite often, they get it wrong as well. Having invested the time and energy in training people in these sorts of skill, how are we going to be able to hold on to them?

David Pitchford: That is a very fair question. My response is to revert back to the two new pillars that I have talked to you about. If we train these people and put them back into the same situation they are in now, where they cannot effectively manage or make the changes that they have been trained to make and are not allowed to govern their projects to advantage the Government, we will start to lose them, so we need to get an operating environment in which they can operate effectively.

The other thing that we were doing at the academy was to give them the other thing that is crucial to the retention of SROs: confidence that they have the skills to do this in a very difficult environment. What is currently happening as part of our churn is that people get put into situations where projects are so difficult that they do not have the capability. It is what Mr Barclay was saying before: they do not have the capability because they have not come from the background. What we will give them is the capability, and therefore the confidence to stay on and have a go. What that means is that they will start to enjoy that involvement.

There are people right across the civil service who are not here for the money. We have to give the people who are not here for the money a real reason to stay: that is, being supported, appreciated and rewarded. I am not talking about money; I am talking about—

Q94 Jackie Doyle-Price: Recognition.

David Pitchford: Yes. That’s it.

Q95 Mr Bacon: Mr Pitchford, the thrust of what you are saying is extremely welcome. When we were in Washington last week, we met the Project Management Institute, who have been coming over here and knocking on the doors of members of this Committee for two or three years. They have chapters

in many countries. They are a professional services organisation with individual members. They are a membership organisation, and they promote their own accreditation. They have a set of tools and techniques—you might almost call it a theology, a way of doing things—and they produce some impressive, persuasive-looking stats on the percentage of projects that go right and do not go off the rails when their members are used. They did not quite get to the point of trying to persuade us all to join, I am glad to say.

To take two different examples, in the area of financial management, I started asking how many people with financial qualifications are principal finance officers, or what we now call finance directors, 10 years ago. It was about 23%; it is now 91% and rising. The aim is to get to 100%. We would expect somebody to be a chartered public accountant in order to be a finance director. Somebody running an estates division ought to be a chartered surveyor. Often they are not yet, but they should be, and we know what that is. It is very clear what professional qualification is expected in order for someone to do this work.

The civil service White Paper talks about the lack of skills in various areas, such as “leading and managing change, commercial, financial, programme and project management, digital skills” and “skills in managing risk”. I could mention legal. We know what we would expect; you need to be a qualified lawyer. In your view, is there such a thing—we know that the PMI would say there is—as a qualified project manager? Are you planning that the academy shall do its own accreditation on an ongoing basis, including re-evaluation, revisiting and continuous performance improvement, or are you looking at organisations such as the PMI so that you end up with a cadre of genuinely professionally qualified project managers across government? Which approach are you going to take to get there? Is that important?

David Pitchford: Pretty much all of the second and a bit of the first, but the amalgam is important. We have started on the SROs and the project directors within the portfolio project management to get at particularly the ones that do not have capability and experience. The academy will be focusing on the top end. Remember: this is about teaching leadership, not about teaching project management skills. We are also encouraging Departments to start to isolate what skills they need within their Departments lower down the development chain and to start to educate those people through the APM, the PMI—there’s another MPA. There is a whole range of providers in this space. We encourage Departments to use those providers to educate their feeder levels. I do not want to do that in the academy and certainly I do not want to do it in the MPA. I’m the head of profession for this, but mine is a sort of facilitation role to get Departments to start to train up people who might want to become involved or the Departments will need to have involved. Then, when they get to the stage where they show the potential to be project directors or they go into that sort of COO project director role, they need to be exposed to the academy. But the academy’s teachings will be cascaded back down on to these people by the people who complete the academy training and come

back into the Department. Provided that we get the operational constructs set, it will work that way.

The other element of it that’s important—I’ve forgotten; what is it?

Q96 Mr Bacon: I take it that by APM, you mean the association of project managers, which we have also had knocking on our door; certainly I have. In terms of the accreditation and what is recognised, are you saying that you would prefer to leave it to Departments and that the bodies that operate in this space need to compete in this ecosystem in order to provide an accreditation that is so valuable that it becomes the standard, rather than your ordaining from the centre what that standard shall be?

David Pitchford: That is pretty much it. The aim is to encourage Departments to an understanding that they need to train these people to a certain point before they insert them into the leadership academy.

Q97 Mr Bacon: But who decides what that point is? We would say very clearly, if you were going into the financial management area of a Department, “You need the CIPFA qualification and then you can do financial management.” Just as we do in relation to the private sector, we expect people to be chartered accountants. But you are not saying, “There is one qualification that we expect people to have.”

David Pitchford: No, I’m not, and the reason is that, like you, I have had them all knocking on my door and for the MPA to endorse one over the other would be very difficult—

Q98 Mr Bacon: Is that just because the profession of project management is not sufficiently well developed yet?

David Pitchford: Unlike the Royal College of Surgeons, where there is only one way to the qualification, there is any number of qualifications from any number of providers, including other business schools, so it is quite difficult to be so precise.

Chair: Meg, and then—

Mr Bacon: I have one more question. I wanted to ask Sharon White one question. Meg, were your questions on the same—

Meg Hillier: It was on figure 3. We had got as far as requirement 5, but had not done 6, 7 and 8. I just don’t want us to lose track of that.

Q99 Mr Bacon: Hold that thought. I just want to ask one quick question and then I’m done. I want to ask Sharon White about considerations of size and resources. Mr Pitchford is obviously going to have to deal with what he’s got. He accepts that and is doing the best he can with very limited resources. This is really a question for the Treasury. If you are dealing with this £376,000 million-worth of projects, which is quite a lot of money on any day of the week, the £6 million that Mr Pitchford has at his disposal is, in comparison, utterly inconsequential. Whether it were £12 million or £18 million would make no difference to the Treasury in the grand scheme of things, but might make a huge difference to the effectiveness, efficiency and economy with which Mr Pitchford

25 June 2012 Cabinet Office and HM Treasury

could operate and the number of car crashes prevented, as it were.

I am not expecting you to give us a definitive answer now as to what you are likely to do, but are you giving consideration to this point? The analogy would be that we are cutting the size of the Army, but we are increasing the size of the special forces. Mr Pitchford is the SAS. He's the last man standing, trying to sort this all out, with 4,000 of the other side coming over the hill. You do see my point.

Sharon White: I do.

Mr Bacon: Are you talking about this inside the Treasury, with a view to possibly re-scoping his capacity, because—

Chair: They are talking about cuts.

Q100 Mr Bacon: The NAO Report says very clearly—this is the agreed part of the report, so you believe this, too—that the authority “does not have sufficient resources to carry out its role in...central assurance...to best effect.” Having watched so many car crashes over so many years, I want this authority—I have been a huge fan of it ever since its inception—to be able to carry out its role to best effect. The agreed Report says that, at the moment, it cannot. You must be concerned about that. What are you going to do about it?

Sharon White: May I say a couple of things? First, there is a boring Treasury point, which is obviously that the outlook on running costs for the civil service does not look great from anybody's perspective. Certainly, when it comes to how the Cabinet Office decides to allocate its resources internally, we will be very supportive of any resource allocation that allows us to generate future savings.

Q101 Stephen Barclay: To put it a different way, are there any Departments with a bigger press office than Mr Pitchford's?

Mr Bacon: There are county councils with a bigger press office than Mr Pitchford's team.

Stephen Barclay: It gives us a benchmark, doesn't it?

Sharon White: The conversation we would be having with the Cabinet Office—the one my spending team will have with Melanie Dawes—is, “What is the right allocation for the Cabinet Office?” Within that, my folk will certainly be saying, “We have had the MPA for two years and there is the spending review next year for three years. This is our view on the value.” The Treasury will not be there, saying, “You should allocate X to Mr Pitchford's team, Y to the constitution unit, and Z to the ICT unit”, but we are certainly supportive of its impact.

Q102 Meg Hillier: I cannot resist saying, in passing, that if you add up the Ministerial office support in any Department, you get close to 30 or 40.

We were going through figure 3. You got as far as number 5 on the scorecard, and I am interested in transparency and the publication of information. Will you comment on numbers 6, 7 and 8? It is small print—number 6 is “To require publication of project information consistent with the Coalition's transparency agenda.” It is on page 16.

David Pitchford: In relation to the publication, we are not at the point where it is agreed public policy to publish it yet—I will come back to that and explain it—but what we are doing is reporting this information, the outcomes of the GMPP quarterly processes, what we have discovered and what the analysis shows to Departments, permanent secretaries and Secretaries of State. We are reporting internally in a very similar way to major corporations, like Marc Van Grondelle—the Shell corporation, for example. They report internally, but not externally, so we are doing that quite effectively. What we are now doing is reporting to the permanent secretary, asking for a whole range of things, but particularly a dedicated action plan in terms of projects that we rate as red or amber-red. Then, we meet directly with them to work out how to apply and retain there.

We have not scored a good score in relation to the full-scale publication in a public sense, because the Government have not yet determined their position in relation to the release of this. I mentioned to you in the private session that the Government are trying to strike a balance between protecting sensitive commercial information and matters of state security, as opposed to the publication of performance data. That process is still under way. We do not have a determination on that, and until such time as there is one, there will not be a publication.

Q103 Chair: Have you got a time frame?

David Pitchford: Yes. I hope that it will be by the end of the summer, after the recess, but it is a very complex process. I do not know an exact date, but the idea has been expressed to me that the Government will look at this. Once I know that there is a target date, I will convey it to you, but the process—

Q104 Chair: Will you write to us about that?

David Pitchford: Yes, if I am told that information, but these discussions are going on right across Government, and they are informed by the release of the reform paper the other day. A whole range of things are coming in next week—or is it this week? Later this week, there is the Government White Paper on open data as well, so it is a very volatile, dynamic environment at the moment. Until the Government arrive at their full policy position, we will not be publishing.

Q105 Meg Hillier: It is conceivable though, from what you are saying, that there could be exceptions to full public publication, for security reasons for example. There are some provisions under the Data Protection Act anyway.

Chair: I don't think this is about security.

Q106 Meg Hillier: I am wondering about the general, overall picture, if you envisage a situation where, whatever is agreed, there may be some exceptions. That would be quite an interesting area of debate if there were any exceptions.

David Pitchford: That debate needs to be had. There will be some areas, given the timing in some major projects in relation to state security and commercial sensitivity, for which an exemption for a certain point

in time would be most appropriate. That debate needs to be had once the Government have determined their policy.

Q107 Chair: To put it on the record, this Committee's very strong view is that, where a private company is delivering anything out of public money, openness and transparency are key. In fact, we are very frustrated far too often by private companies hiding behind commercial confidentiality and not letting us know whether we are getting value for money. We will say that in our recommendations.

Q108 Meg Hillier: May I add—we need to put this on the record for consideration in our recommendations—that I visited a major defence supplier who advised me that some of the sub-suppliers and sub-contractors would ramp up the price of things if they had grey paint on them, as they put it? They would then go back and negotiate it back down, saying, “That bit of pipe without grey paint on it last week cost this much. Why are you trying to charge us this much for it with grey paint on it?” They say that people try to play that game. To back up what the Chair has said, we have seen too much of that through this Committee, certainly during my time on it, and before my time on it. That sort of deals with number 6. We appreciate that you are not in a position where you can make all those decisions.

Number 7 notes the objective “to work with departments to build capability in project and programme management”. You have probably covered that already. What score would you give yourself out of 100 for number 7?

David Pitchford: I am tempted to give us 90.

Q109 Meg Hillier: We have heard some interesting things. What about number 8?

Chair: Will you publish your annual report as soon as you are able to?

David Pitchford: As soon as we are able to.

Q110 Stephen Barclay: Will you report information to this Committee at other times of the year?

David Pitchford: As I said in response to a question from the Chair last time, I would be happy to return as often as possible. In advance of the annual report, once the policy is in place and the reporting programme is set, I would certainly be happy to do that.

Stephen Barclay: I did not mean in terms of coming back to give evidence. I meant in terms of putting a process in place where there was a periodic update to the Committee.

Chair: What we will want to do is, in the same way as we have come back on the major projects in MOD, come back to this annually. It is a lot of dosh.

Mr Bacon: A lot of dosh—a technical term.

Q111 Chair: I want to ask some final questions. Who is the independent Government nominee on your board?

David Pitchford: Bernie Ainsworth.

Q112 Chair: Who is Bernie Ainsworth?

David Pitchford: He is a man whom we have just appointed to do this role. He is a construction manager by trade, but he is currently the man who has just finished topping out the Shard. Before that, he did a whole range of other things.

Q113 Chair: He is the chairman of that company, is he?

David Pitchford: There is a word for his role which I will have to search for, but he is something like the supervising adviser of the construction of the Shard. Before that, among other things, he was the chief operating officer of the Commonwealth games in Manchester, and before that he had a long construction-oriented programme. He was a member of the major projects leadership academy board, and was a great help in setting it up so that it became oriented towards leadership, not just project management. He will be an independent and strong voice.

Q114 Chair: May I ask about some other things that are, I accept, in progress? I was surprised to read that you don't measure outcomes. Paragraph 2.10 on page 23 says, “The Government Major Project Portfolio does not record outcomes.” Is the report correct in saying that?

David Pitchford: I'm going to need clarification on what that means.

Keith Davis: The point we were making was about getting a good understanding of the impact that your assurance activity has. We know that you have action underway to address that, but at the point we looked at this we felt it was a weakness that you couldn't get any metrics on the impact it was having.

Meg Hillier: May I highlight one example? Under real-time information, small businesses in my constituency have raised concerns that they account for, I think, more than 90% of pay-as-you-earn, so it is important that real-time information works easily for them. That is an outcome that matters to my constituents, or to my local businesses. But when you are looking big project management, you are looking at the IT nitty-gritty. That might work well, but it might also be a nightmare for the person on the ground. That would be one example.

David Pitchford: Thank you for the explanation; I now understand. One of the problems that we have is being able to measure the impact. In the nicest possible way, may I say that I believe that the NAO itself has this problem. We are looking hard at how we might be able to construct what we call a performance framework, against which we might be able to measure some of the impacts that we are having. Currently, there is no such model anywhere in the world—we have searched high and low—so we will try to build it ourselves. It will be between us and the Treasury as to how we measure this.

We have talked informally with the NAO about how to do this, and we have seconded a bright young thing, a wonderful young man called Dan Jenkins, who was very angry with me about the Australian rugby team beating the Welsh rugby team over the weekend. He is on for a year to try to perfect this and to get us to a point where we can measure it and put it into an

25 June 2012 Cabinet Office and HM Treasury

accepted pounds quantum. If we can do that, it will enable us to measure our impact, relative to your question, Mr Wharton, about, “You only spent £6 million on this, but there is £400 billion in the portfolio.” If we can show some impact, we might be able to measure just how much savings and generation we can get. We are not there yet; it is very difficult, because not everyone who plays in this measurement space is accepting of the need and the fact that we can do it.

Q115 Chair: The other thing that the Report says, on page 11, is that at the moment there is no method to monitor compliance, which is a bit worrying.

David Pitchford: Compliance by Departments?

Chair: Yes.

David Pitchford: That is an issue, as I mentioned. It is all wound up in the integrated assurance and approvals plan. That is one of the things that we are going to look at—how we can get them to comply with that from a management tool perspective. We have some activity at ministerial level that we hope to see in the next year. They are not non-compliant, but the compliance levels by some Departments are patchy.

Q116 Chair: When you look at HS2, which I assume the Treasury approved—

Sharon White: Yes, we did.

Chair: Did they use the hard evidence to ensure assurance recommendations or not? When we looked at this, we felt that they had not used the appropriate hard evidence in taking that decision. There may have been other reasons for taking it, but it certainly did not look to us to be based on hard evidence, which is what you require.

Mr Bacon: We were looking at HS1.

Chair: Yes, but we were looking at the implications of that for HS2.

David Pitchford: That is a function of where the project is at. There is only so much evidence-based material available in relation to it now, because of what needs to be done in order to get the project to a full-blown definition and therefore the assessment stage. That is why we have put a whole lot of new assessment activity into it.

Since you had your hearing about High Speed 1, and related it to High Speed 2, you may be interested to know that we have an integrated assurance and oversight group, which will include the MPA, the Treasury, the Department, the HS2 organisation itself, the NAO as an observer and IUK, together with the engineering consulting partner. So we are starting to look at the overall piece here again, so that there is another element to this. With the hybrid Bill demanding complete definition of the design elements, and all elements involved in the planning approval stage for the project, which is going to be massive, there is just not sufficient evidence to be able to nail it at this point.

Q117 Chair: Finally, there is a suggestion in the Report that your scope is currently limited. There are ways of looking at it. You can look at the big numbers—the £360 billion or whatever. Cut that down

to an annual bit of the budget and it is tiny: 2% of annually managed expenditure. Something like £14 billion is a tiny amount in terms of how you cut it. So, at the moment, it looks as though your scope is very limited, probably because you are so small. The Report suggests that you do not look at “business as usual” projects and that you do not look at projects such as new schools being built by local authorities or—I assume—hospitals built by health trusts and those sorts of things. That is a question for both of you. Obviously, if it is only 2% of annually managed expenditure—AME—it is not having the impact annually that one would like. Although one accepts that the projects as a whole are worth a lot, should we not be looking at broadening that?

David Pitchford: If I may respond, just to clarify absolutely, you are asking the question, Madam Chair, why are we not in the broader public sector? The reality is that, in being set up, the mandate was oriented towards centrally funded and delivered major projects.

Q118 Chair: And you are looking at projects as usual, the things that go on. So you are looking at new initiatives, rather than existing ones, and at central Government, not local government.

David Pitchford: New but not yet business as usual. That is our focus. Business as usual is for the Departments and Treasury to oversee and manage. We look at new initiatives.

Q119 Chair: Local government, hospitals, schools?

David Pitchford: No, it’s outside our brief, specifically, for the life of this Parliament.

Sharon White: I think it also plays straight into the discussion we have had about resourcing and capability.

Q120 Chair: It does a little bit. I will just leave you with this thought, and then Richard will ask the final question. We looked at HMRC. I know it is all in the news now—it is one of these things. Every pound you spend gets you £10 in. There must be a more sensitive and sophisticated assessment of how to get your cuts or how to reduce expenditure sometimes by investing, but the Treasury seems hugely reluctant to go down that avenue.

Sharon White: My own view, and the thing that I say to my spending teams, is that the arithmetic for the spending review is of an appreciably different scale from the current spending review, and we are open to all offers of where small amounts of money can have an enormously bigger impact.

Q121 Mr Bacon: On that subject, perhaps I can ask my final question. Is it possible for you to do a tiny piece of research for us? I was intrigued by Mr Barclay’s example. It is probably a case of just a quick ring-round, but if we could find out which Departments—I imagine it will be ones such as MOD and—

Stephen Barclay: Department of Health.

Q122 Mr Bacon: Department of Health and DCLG. Could we find out which Departments of State—major

25 June 2012 Cabinet Office and HM Treasury

ones—have press offices with more than 38 people in them? I can envision a little table, which we would quite like to put in our Report, if that is possible.

Amyas Morse: We will do our best.
Chair: Thank you.

Written evidence from Tim Manning

I would like to submit the following written evidence to the above session on the 25 June. This is based on my blog post of the 9 May (<http://design4services.com/2012/methods/assurance01/>) on the Major Projects Authority:

The latest NAO report (http://www.nao.org.uk/publications/1012/assurance_for_major_projects.aspx) list a number of remaining weaknesses, including the degree of compliance across departments, HM Treasury buy-in and a lack of standard ways of working.

Historically, central efforts to improve the performance of government projects have focused on improving programme and project management and the use of independent (Gateway) reviews. Despite recent major project failures such as the NHS National IT Programme, the focus appears to be on the need for greater rigour, rather than any change in approach. Greater rigour may indeed be needed, but I see three major weaknesses with the current regime:

1. In terms of what is being assured, there is an excessive focus on “project management practices and approaches”. But these do not deliver projects. Far more important is assuring the “technical” approach and the business design, ie the actual value work. These have a much greater bearing on cost, time and quality.
2. There is a lot of attention paid to the management process surrounding the assurance of major projects, but very little to the actual act of assurance. Effective independent assurance is not an easy task. It is by its nature subject to limited time and information. It requires the ability to see the “wood for the trees” and to quickly focus in on the things that the success of a particular project will turn on. This is not a capability easily acquired.
3. The process of central assurance, as set out in the report and on the MPA own web pages, comes across as very much stand-alone, rather than being integrated with the assurance processes that should exist within the project itself. Independent assurance should be seen as an integral part of the project’s overall quality management system, as set out in the project’s Quality Plan, within which the required MPA “Integrated Assurance and Approval Plans” should be embedded. This would create a far stronger assurance regime and help re-enforce those doing assurance on the ground.

What is referred to as “assurance” in the NAO report and by the MPA is more akin to *quality control*. *Quality assurance* is about fixing the thing that created the specific instance of the error, whilst *quality control* is about fixing the error, in this case a particular problem with a given programme or project.

A system of assurance requires an effective feedback mechanism. Currently there is none. The measure of success of any assurance system is that over time you need to do less of it, because the detected error rate reduces, ie the “system” is in a stable, predictable state. Large scale improvements in government project delivery will only come when the lessons have been learnt and are acted upon.”

The original post can be found at:

<http://design4services.com/2012/methods/assurance01/>

In addition, I would like to add the following:

The failure of major government projects is often put down to the IT. It’s more complex than this. The real issue in my experience is that projects are frequently IT, not business-driven. IT should be seen as an enabler and “pulled” into the overall business design. Too often the business design is driven by and centred around the technology, rather than the other way around. Not least, this often leads to whole areas of design being missed (or under-played/developed), and/or the business design being “distorted” to fit the technology! A good example of this is the Rural Payment Agency and the CAP Single Payment Scheme, which the committee is well familiar with.

14 June 2012

Written evidence from the National Audit Office

RESPONSE TO QUESTION 122 OF ORAL EVIDENCE TAKEN BEFORE THE PUBLIC ACCOUNTS
COMMITTEE ON MONDAY 25 JUNE

NUMBER OF STAFF IN PRESS OFFICE AND COMMUNICATIONS DIRECTORATES WITHIN GOVERNMENT

Information compiled from written questions and answers in the House of Commons 2011–12

<i>Department</i>	<i>Number of press officers</i>	<i>Total Communications Directorate</i>	<i>Source date</i>
Business, Innovation & Skills	27	95	30/11/2011 13/05/2011
Cabinet Office	28	95	16/05/2011
Communities & Local Government	15	52	12/12/2011
Culture, Media & Sport	10	46	07/12/2011
Education	15	69	13/12/2011
Agencies/NDPBs	information not provided	105	13/12/2011
Energy & Climate Change	information not provided	20	05/12/2011
Agencies/NDPBs	information not provided	22	05/12/2011
Environment, Food & Rural Affairs	17 FTEs	52 FTEs	11/01/2012
Agencies/NDPBs	35 FTEs	176 FTEs	11/01/2012
Foreign & Commonwealth Office	28	93	05/12/2011
	17 FTE	60 FTE	05/12/2011
Health	34 FTE	information not provided	06/09/2011 13/06/2011
HM Revenue & Customs	public information not available		
HM Treasury	27	11	13/12/2011
Home Office	29	96	05/12/2011
Agencies/NDPBs	25	196	05/12/2011
International Development	11	48 FTE	06/12/2011
Ministry of Justice	34 FTEs	165 FTEs	19/12/2011
Agencies/NDPBs	15 FTEs	114 FTEs	19/12/2011
Ministry of Defence	108 in MoD/armed forces	649 in MoD/armed forces	08/12/2011
Transport	14 FTE	54	19/05/2011
Agencies/NDPBs	22 FTE	101	19/05/2011
Work & Pensions	21	112	12/12/2011
Agencies/NDPBs	21	151	12/12/2011

Figures, where supplied by departments as Full Time Equivalent numbers of staff, rounded to nearest whole number

July 2012

ISBN 978-0-215-04870-7



9 780215 048707

