



House of Commons
Committee of Public Accounts

Civil Service Reform

Thirteenth Report of Session 2013–14

Report, together with formal minutes, oral and written evidence

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Committee of Public Accounts

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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), Rhiannon Hollis (Clerk), Sonia Draper (Senior Committee Assistant), Claire Cozens (Senior Committee Assistant), Ian Blair and James McQuade (Committee Assistants) and Alex Paterson (Media Officer).

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Summary

The 2012 *Civil Service Reform Plan* (the Plan), published in June 2012, outlines plans to transform the civil service so that it is sharper and quicker, more delivery-focused, and has sufficient commercial, digital, project and change management skills. The Cabinet Office is responsible for overseeing implementation of the Plan.

We support the broad aims of this, the latest attempt to reform how central government operates, and hope that it will help prevent the failures in project and programme delivery we see time and again. We also welcome the Cabinet Office's recently published plan to ensure the Civil Service enjoys appropriate capabilities, which provides helpful clarification of the government's overall vision for the future civil service. We are concerned, however, that government has not set itself objective measures for assessing the impact of its reforms, which will make it difficult to judge the success of the Plan.

If the public is to have confidence in the system for holding permanent secretaries accountable, the Government must be clear about the detail of what each permanent secretary is expected to achieve and how their performance will be assessed. However, there is insufficient transparency about arrangements for holding permanent secretaries to account for their performance.

Commercial and contracting skills in the civil service remain weak and underdeveloped, despite the many attempts to address this skills deficiency in recent years. The mismanagement of the West Coast Main Line franchise competition and the Ministry of Justice interpreters' contract illustrate the consequences of the skills shortage. Efforts to fill skills gaps are hindered by real or perceived barriers to recruiting people with the necessary expertise and paying them enough.

The process for overseeing major projects lacks real teeth and is seemingly unable to stop ill-conceived or poorly-managed projects. Yet the Government will only be successful in cutting public spending with minimum impact on frontline services if it finds new and innovative ways to deliver its programmes. This innovation can only be implemented if the Civil Service has the necessary skills and competencies. We welcome the government's lead non-executive director, Lord Browne's recent report on major projects, which contains useful recommendations to strengthen major project oversight and ensure projects are managed by people with the right skills.

The centre of Government is failing to demonstrate the strategic leadership needed to successfully change the way that Government operates. Both the Cabinet Office and the Treasury together need to be stronger if they are to exert effective corporate control and drive value for money change through central government.

On the basis of a Report by the Comptroller and Auditor General,¹ we took evidence on civil service reform from the Head of the Civil Service, the government's lead non-executive director, the Director General for Civil Service Reform in the Cabinet Office and

1 C&AG's Report, *Memorandum on the 2012 Civil Service Reform Plan*, Session 2012-13, HC 915, 24 January 2013

the Chief Operating Officer of the Cabinet Office's Efficiency and Reform Group.

Conclusions and recommendations

- 1. The *Civil Service Reform Plan* lacks robust measures of success.** The Cabinet Office's recently published plan on the capabilities required provides helpful clarification of the government's overall vision for the future civil service. However, the Government needs to be more specific about the outcomes and improvements it expects civil service reform to achieve, so that Parliament and taxpayers can assess whether the reforms have been successful or not. The Cabinet Office should set out robust, data-driven performance and outcome measures against which to judge success.
- 2. The existing accountability arrangements for permanent secretaries are inadequate.** The public needs to have confidence in a system that holds permanent secretaries properly to account for their performance. However, underperformance by permanent secretaries—for example, the basic management failure to submit accounts on time, which would be unacceptable in the private sector, and failure to deliver projects successfully—does not seem to result in any sanction. The publication of permanent secretaries' objectives is a welcome start to improving accountability, but much greater clarity is required about what each permanent secretary is expected to achieve and how their performance will be assessed. The Cabinet Office should clarify how permanent secretaries will be held to account for performance against their objectives and delivery of the *Civil Service Reform Plan*, and what performance data the Cabinet Secretary, Head of the Civil Service and departmental non-executive directors will use to do so.
- 3. It is unacceptable for projects to proceed without the skills required to deliver them successfully.** The effect of this skills gap can be clearly seen in the mismanagement of projects such as the West Coast Main Line franchise competition and the Ministry of Justice interpreters' contract. Accounting Officers are personally accountable for the projects they oversee. The *Civil Service Reform Plan* requires accounting officers to sign off projects at the start and at key review stages, and the Treasury is updating guidance in *Managing Public Money* to reflect this new obligation. In its revision to *Managing Public Money*, the Treasury should require accounting officers to explicitly confirm that the right skills and resources are available. If they are not in place, the accounting officer should not proceed, unless in receipt of a specific direction from the minister. However, there have been no ministerial decisions, on this or any other topic, in the last 3 years.
- 4. Oversight of major projects by the centre is not strong enough and the Major Projects Authority lacks real power.** Lord Browne's recent report on major projects indicated what more needs to be done to strengthen oversight; for example, withholding funding at key project stages so that only well-founded and properly managed projects can proceed and failing projects are stopped. Smaller projects below major project level also need strong assurance and the threat of withheld funding, although this should be proportionate. The Cabinet Office and the Treasury should outline to us in detail how they will take forward Lord Browne's

recommendations on stronger central oversight of project initiation and progress, and on powers and resources for the Major Projects Authority.

5. The Cabinet Office and the Treasury are failing to act together as a strong corporate centre. The Cabinet Office is a weak strategy department and the Treasury is a weak finance department. As a result, the centre does not display strong strategic leadership and does not coordinate government business effectively. The Head of the Civil Service should define a new operating model for the centre of government, which includes:

- control of key corporate functions—including finance, HR and IT—sitting more squarely with the centre; and
- the centre using its strategic position more effectively to ensure government joins up its thinking and learns lessons from past mistakes.

1 Delivering the Civil Service Reform Plan

Assessing the success of reforms

1. Over the last half-century, various governments have attempted to reform the civil service and improve efficiency. In June 2012 the Cabinet Office published details of the latest attempt at change in the *Civil Service Reform Plan*.² The main aim of the Plan is to transform the civil service so that it is sharper and quicker, more delivery-focused, and has sufficient commercial, digital, project and change management skills. The Plan draws together a broad range of themes including: digital government, management information, accountability, policy development, skills, leadership, and employment terms and conditions.³

2. Achieving major change of this kind requires a vision of the future that is clear and easy to grasp.⁴ However, at our hearing, the Head of the Civil Service was unable to set out a clear vision for what the civil service should look like in the future.⁵ On 18 April 2013, after our hearing, the Government published a capabilities plan for the whole civil service. The capabilities plan provides helpful clarification of the government's overall vision for the future civil service, particularly with regard to the required mix of skills. It identified four priority areas for improving civil service skills: leading and managing change; commercial skills and behaviours; delivering successful projects and programmes; and redesigning services and delivering them digitally.⁶

3. However, the Government does not have a clear idea of the specific outcomes it expects from implementation of the Plan, or robust measures of success. The Head of the Civil Service told us that the ultimate test of success would be whether departments are meeting service performance targets, delivering projects and programmes on time and budget, and achieving the government's priorities through their business plans.⁷ Nevertheless, he acknowledged that the Government still needed to do "a bit more work" to clarify how it will evaluate the outcomes of civil service reform.⁸

4. Without specific success measures for the actions in the *Civil Service Reform Plan*, Parliament and the public are unable to judge whether or not the aims of the Plan have been achieved, or how departments are performing relative to one another. The recent capabilities plan did not set out detailed performance measures, but did explain the data sources government will use to assess success (for example, data from the People Survey on staff engagement, and information collected by the professions on levels of professional skills).⁹ The Government's lead non-executive director, Lord Browne, recognised that there

2 HM Government, *The Civil Service Reform Plan*, June 2012

3 C&AG's Report, para 1.4

4 C&AG's report, para 3.7

5 Qq 10-11, 129

6 Cabinet Office, *Meeting the Challenge of Change: A capabilities plan for the Civil Service*, April 2013, pp 3-4

7 Q 95

8 Q 10

9 *Meeting the Challenge of Change: A capabilities plan for the Civil Service*, p 17

was no consolidated measure of what civil service reform is designed to achieve, and told us that he would like to see more detailed, “granular” targets.¹⁰ The Head of the Civil Service promised us that the forthcoming “one year on” report of progress on civil service reform will set out performance measures and an assessment of what departments have achieved, individually and collectively, on the Plan.¹¹

5. Despite the lack of clear measures, we were told that some departments are performing better on Plan implementation than others. For example, the Head of the Civil Service told us that the Department for Work and Pensions had put much effort into training its managers in project and programme management, to support delivery of its complex projects.¹² The Department for Culture, Media and Sport, on the other hand, had made less progress than other departments on strengthening management information, in part because it had to coordinate its many arm’s length bodies.¹³

Accountability of civil servants

6. We recognise the importance of establishing innovative new ways of delivering public services in a climate of public expenditure cuts. However, if the Civil Service does not possess the appropriate skills and competencies the Government will fail to deliver successful innovation. We and other select committees repeatedly see examples of poor performance by departments, including the failure to deliver major programmes and even to submit accounts on time—something which would be unacceptable to shareholders of listed companies. However, the civil servants who are accountable often seem to receive no sanction and may even get rewarded. This situation does not inspire public confidence in the system for holding civil servants to account for their performance.¹⁴

7. Lord Browne told us that no non-executive director has ever recommended to the Prime Minister that a permanent secretary be moved from his or her job due to poor performance—despite non-executive directors having the power to make recommendations of this kind.¹⁵ Lord Browne explained that this was because objectives for senior civil servants are not clear enough to use as the standard for evaluating individual performance; and that without clear objectives, it was very difficult to say whether someone was underperforming.¹⁶

8. Lord Browne acknowledged progress was being made in this area, with the publication of permanent secretaries’ objectives.¹⁷ The Head of the Civil Service told us that performance against these objectives would be measured and that end of year reviews of permanent secretaries’ performance were currently being carried out. He also confirmed that in each department, the relevant lead non-executive director would be involved in the

10 Q 12

11 Qq 8-9

12 Q 4

13 Q 5

14 Qq 24, 99-102

15 Qq 14-16

16 Qq 17-18

17 Q 18

permanent secretary's appraisal and would have access to all of the data needed to develop a view on the permanent secretary's performance. However, there are no plans for this accountability process to be made transparent, as the results of performance reviews will not be publicly available.¹⁸

The role of the centre of government

9. The Head of the Civil Service told us that leadership of the civil service reform agenda is provided by a civil service board and through individual implementation boards, all of which are held to account through a further board chaired by the Minister for the Cabinet Office.¹⁹ Departmental responsibility for implementing the *Civil Service Reform Plan* rests with the Cabinet Office, which largely relies on collaboration and encouragement rather than direct instruction to departments.²⁰

10. More generally, the centre of government is failing to perform its key corporate functions effectively. The Cabinet Office and the Treasury are not displaying strong strategic leadership in their corporate roles as the strategy and finance departments of government respectively.²¹ Our recent hearing on *Integration across government and Whole-Place Community Budgets* demonstrated how both the Cabinet Office and the Treasury are failing to lead efforts across government to integrate services and other activities more effectively.²² As we set out in our recent report on the *Whole of Government Accounts 2010-11*, the Treasury is not using its finance function effectively to highlight key cross-departmental risks, trends over time and lessons from past decision-making which would enable it to better manage the public finances.²³

11. The lack of a strong corporate centre can mean that lessons and best practice do not get learned and applied to comparable situations, often resulting in wasted public money. One example of this is the Department of Energy and Climate Change's letting of a contract worth billions of pounds for the transmission of energy from offshore wind farms. Our report on *Offshore electricity transmission* concluded that the Treasury should have ensured lessons from previous government experience on PFI were applied before the new regime for offshore electricity transmission was allowed to proceed.²⁴

12. The Head of the Civil Service told us that he expected there to be more sharing of corporate functions such as finance, human resources, IT, procurement and internal audit, and that the time when individual departments managed these functions themselves had passed.²⁵ Lord Browne agreed that these corporate functions should be controlled from the

18 Qq 19-27

19 Q 127

20 Q 126

21 Q 126; C&AG's Report, para 2.12

22 Uncorrected transcript of oral evidence taken before the Committee of Public Accounts on 24 April 2013, Session 2012-13, HC 1106-i, Qq 84-90

23 Committee of Public Accounts, Thirty-seventh Report of Session 2012-13, *HM Treasury: Whole of Government Accounts 2010-11*, HC 867, paras 9, 11

24 Q 128; Committee of Public Accounts, Twentieth Report of Session 2012-13, *Department of Energy and Climate Change: Offshore electricity transmission – a new model for infrastructure*, HC 621, p 6, conclusion 4

25 Q 97

centre of Government and be professionalised, so that they have more authority to get things done and ensure lessons are both learned and implemented.²⁶

2 Delivering government projects

Commercial and contracting skills in government

13. Both the *Civil Service Reform Plan* and the capabilities plan stressed the need to improve commercial and contracting skills in the civil service. The Head of the Civil Service reiterated to us that government must improve its capability to contract with private companies delivering public services, and Lord Browne described it as a preoccupation of all the non-executive directors.²⁷ However, despite the Head of the Civil Service providing us with a list of examples where government has engaged effectively with the private sector, we have seen numerous projects where a lack of commercial skills has had extremely detrimental consequences. The mismanagement of the West Coast Main Line franchise competition and the Ministry of Justice's contract to provide interpreters are two recent cases.²⁸

14. We were told that steps were being taken to improve commercial skills as part of the capabilities plan and procurement reform, as well as through the creation of a major projects leadership academy and a commissioning academy. The Cabinet Office's Efficiency and Reform Group said that it plans to put 200 people through the commissioning academy during 2013-14 and 500 in 2014-15.²⁹

15. Lord Browne told us that efforts to improve government contracting would require getting the planning right for major projects and procurements.³⁰ His March 2013 report on improving major projects elaborated on this point. It emphasised that a crucial part of successful project initiation was identifying and securing the right skills and experience. However, his report noted that this was frequently not the case for many major government projects, which were announced and had money committed to them without the assurance that a project team with the right capability was in place.³¹

16. *Managing Public Money* is the Treasury document which sets out the principles, standards and guidance to be followed to ensure the appropriate use of public funds in the UK. It states that: "Each public sector organisation should have sufficient staff with the skills and expertise to manage its business efficiently and effectively".³² It also explains that accounting officers should seek a formal direction from a minister to proceed with a proposed course of action if an alternative proposal, or doing nothing, would deliver better value. If departments do not have the right skills to deliver a project or programme, there is a clear risk to value for money. However, we understand that there have been no ministerial directions, on this or any other topic, in the last three years and there is currently no requirement for accounting officers to explicitly sign off that their

27 Qq 28, 36; *The Civil Service Reform Plan*, p 23; *Meeting the Challenge of Change: A capabilities plan for the Civil Service*, pp 7-8

28 Qq 28-35; Ev 16

29 Qq 33, 36

30 Q 36

31 Lord Browne of Madingley, *Getting a grip: how to improve major project execution and control in government*, 26 March 2013, pp 3-4

32 HM Treasury, *Managing Public Money*, October 2007, para 4.9.1

organisations have the right skills and resources to deliver projects and programmes successfully.³³

17. The *Civil Service Reform Plan* proposed placing a duty on accounting officers to sign off projects at their initiation and at key review stages, but this still falls short of explicitly requiring accounting officers to confirm they have the necessary project skills and resources.³⁴ The government has undertaken to implement this action by amending *Managing Public Money* later this year, to clarify responsibilities on accounting officers to sign off project implementation plans and major project reviews.³⁵

18. According to the Efficiency and Reform Group, commercial skills of the sort lacking in Government are scarce throughout the economy.³⁶ Lord Browne told us that he doubted whether the solution was simply to focus on improving the skills of existing civil servants. He observed that government would also need to recruit people with relevant expertise and experience from the private sector, who might be expensive to employ but might only be required in government for short periods of time.³⁷ The Head of the Civil Service confirmed that government would pay enough to attract people with the right skills.³⁸

19. However, there appears to be confusion about whether or not departments are able to employ consultants on short-term contracts. For example, the Department for Transport's permanent secretary told us in his evidence on the West Coast Main Line franchise that he was dissuaded from recruiting external financial advisers because of the moratorium on the use of consultants in place at the time.³⁹ Both the Head of the Civil Service and the Efficiency and Reform Group subsequently clarified that government policy after the 2010 election was to minimise the use of consultants as far as possible, rather than banning their use altogether. The Efficiency and Reform Group added that departments have always been able to use consultants where there is a clear and compelling business case to do so, and that the control process regularly approves consultancy engagements where the requirement and the value for money of the proposal are demonstrated.⁴⁰

Oversight of government projects

20. The Government currently owns and runs around 185 major projects, which in total are estimated to cost around £414 billion. These major projects include the building of roads, railways, defence equipment and information technology systems. The projects range in length from less than a year to almost 99 years, with most (136 out of the 185) lasting for three or more years.⁴¹

33 C&AG's Report, para 2.20; *Managing Public Money*, para 3.4.2

34 *The Civil Service Reform Plan*, p 20

35 <http://my.civilservice.gov.uk/reform/progress/>

36 Qq 43-44

37 Q 42

38 Qq 46-48

39 Committee of Public Accounts, Thirty-first Report of Session 2012-13, *Department for Transport: Lessons from cancelling the InterCity West Coast franchise competition*, HC 813, para 6, Ev 17

40 Ev 16, Ev 20

41 *Getting a grip: how to improve major project execution and control in government*, p 2; Ev 19-20

21. The Government's 185 major projects are overseen by the Major Projects Authority (MPA), established in 2011. The Efficiency and Reform Group told us that before the MPA was set up, only 33% of projects were on time and on budget, but that today this figure was 66%.⁴² Two projects have been terminated by the MPA because they were failing: the National Programme for IT in the NHS, and the FiReControl programme to build regional fire and rescue control centres.⁴³

22. The Head of the Civil Service explained that the oversight process for major projects involves the MPA making an assessment of a project and, if it is not satisfied about the project's progress, the funding for the next stage can be held back.⁴⁴ However, only the Treasury can formally withhold project funding, not the MPA. Our report on *Assurance for major projects* concluded that a stronger link was needed between the results of the MPA's reviews and the Treasury's decisions to halt or reset projects.⁴⁵

23. Lord Browne made a number of recommendations to improve project oversight and delivery in his recent report on major projects. These included stronger controls over project initiation to ensure projects are robustly developed at the outset; and giving the MPA the power to recommend directly to ministers that failing projects be halted.⁴⁶ Lord Browne's recommendations echo our own thoughts on major projects, and their implementation would be a sensible way to begin to improve management of major projects.⁴⁷

24. The Head of the Civil Service told us that government is making changes in response to Lord Browne's recommendations. He pledged to make the starting gate process much tougher in future, so that projects will not be allowed to proceed unless there is assurance that they are ready.⁴⁸ As noted earlier, the government has also agreed to implement the action in the *Civil Service Reform Plan* requiring accounting officers to sign off projects at the start and at key project review stages.⁴⁹ The Chief Operating Officer of the Efficiency and Reform Group added that he would be disappointed if, in six months' time, the critical points of Lord Browne's report had not been fully addressed.⁵⁰

25. Lord Browne reminded us that there are many other smaller, though still significant, government projects, which he estimated were worth a total of around £400 billion. We recently reported on failings in one such project, the Ministry of Justice's £40 million contract to provide interpreters. Lord Browne stated that, in his view, these projects should

42 Q 56

43 Q 67; Ev 18

44 Q 71

45 Committee of Public Accounts, Fourteenth Report of Session 2012-13, *Assurance for major projects*, HC 384, p 5, conclusion 2

46 *Getting a grip: how to improve major project execution and control in government*, pp 7-9

47 Qq 37, 132

48 Qq 52, 55

49 <http://my.civilservice.gov.uk/reform/progress/>

50 Q 67

be subject to the same rigorous controls within each department to ensure the necessary assurance is provided.⁵¹

51 Q 77; Committee of Public Accounts, Twenty-first Report of Session 2012-13, *The Ministry of Justice's language service contract*, HC 620

Formal Minutes

Monday 24 June 2013

Members present:

Mrs Margaret Hodge, in the Chair

Mr Richard Bacon
Guto Bebb
Jackie Doyle-Price
Chris Heaton-Harris
Meg Hillier

Mr Stewart Jackson
Fiona Mactaggart
Nick Smith
Justin Tomlinson

Draft Report (*Civil Service Reform*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 25 read and agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

Resolved, That the Report be the Thirteenth 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.

[Adjourned till Monday 1 July at 3.00 pm]

Witnesses

Monday 15 April 2013

Page

Lord Browne of Madingley, Lead non-Executive Director, Efficiency and Reform Board, **Stephen Kelly**, Chief Operating Officer, Efficiency and Reform Group, Cabinet Office, **Sir Bob Kerslake**, Head of the Home Civil Service and Permanent Secretary, Department for Communities and Local Government and **Katherine Kerswell**, Director General, Civil Service Reform

Ev 1

List of printed written evidence

1 Cabinet Office

Ev 16: Ev 18

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 2013–14

First Report	Ministry of Defence: Equipment Plan 2012-2022 and Major Projects Report 2012	HC 53
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Oral evidence

Taken before the Committee of Public Accounts on Monday 15 April 2013

Members present:

Margaret Hodge (Chair)

Stephen Barclay
Jackie Doyle-Price
Meg Hillier
Mr Stewart Jackson

Fiona Mactaggart
Austin Mitchell
Justin Tomlinson

Amyas Morse, Comptroller and Auditor General; **Gabrielle Cohen**, Assistant Auditor General; **Keith Davis**, Director; and **Marius Gallaher**, Alternate Treasury Officer of Accounts, were in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

Memorandum on the 2012 Civil Service Reform Plan (HC 915)

Examination of Witnesses

Witnesses: **Lord Browne of Madingley**, Lead Non-Executive Director, Efficiency and Reform Board, Cabinet Office; **Stephen Kelly**, Chief Operating Officer, Efficiency and Reform Group; **Sir Bob Kerslake**, Head of the Home Civil Service and Permanent Secretary, Department for Communities and Local Government; and **Katherine Kerswell**, Director General, Civil Service Reform, gave evidence.

Q1 Chair: Welcome. I am sorry that we are a tiny bit late. We are talking about civil service reform, which is a big issue that we can spend a lot of time on. It is a bit like motherhood and apple pie; we all want a more effective and a more efficient civil service. Let me start by asking this: who is responsible for delivering it?

Sir Bob Kerslake: Me.

Q2 Chair: Can you tell us which Departments are doing the best so far? We are nearly a year in since the plan was first produced.

Sir Bob Kerslake: It would be difficult to give one simple answer to that, because some Departments are doing better than others on different issues. Some have been really good on moving forward—

Q3 Chair: Give us some examples of who is doing really well on some issues.

Sir Bob Kerslake: One example is that CLG has moved very far and fast on the work to develop and put in the new performance management system. Other Departments have moved well on digital; a lot of work is going on in the Ministry of Justice and HMRC. Other Departments have done a lot to improve the way in which they manage programmes and projects, because they have needed to—it is an area of weakness.

Q4 Chair: You say other Departments—are you naming names?

Sir Bob Kerslake: Well, a lot of effort has gone on in DWP to strengthen its programme on project management. It has a lot of big, complex, difficult projects and it has put a lot of effort into training up its key managers. As I say, it is difficult to give one simple answer, because Departments have moved

forward on different things at different paces. What I can say is that we now have a quarterly update from every Department on how they are doing on the plan, and I meet the permanent secretaries to challenge them on how they are making progress.

Q5 Chair: Okay. Which Departments are doing less well?

Sir Bob Kerslake: Again, it depends on the issue. For example, DCMS has made less progress than others on the management information side. In its defence, it would say that it has an awful lot of arm's length bodies to bring into the fold. Other Departments—again, I will pick my own—have made less progress on the task of establishing a way of balancing their resources to the workload they have and developing a system to do that. The progress varies—every Department has its strength and weakness—and so it is hard to give you a simple answer on that.

Q6 Chair: The reason I asked those questions is that one thing that feels to me to be missing from the agenda is how we are going to judge, in either the plan or in the NAO's Report of the plan, who is doing well and who is doing less well. There are no performance measures or outcome measures—whatever the current terminology is.

Sir Bob Kerslake: I think we can do that.

Q7 Chair: What are your performance measures? Why can't we set them down, so that we can look at them?

Sir Bob Kerslake: We can and we will do.

Q8 Chair: Will do?

Sir Bob Kerslake: No, we can and we are, and in some areas we are doing more work. Let me just

15 April 2013 Cabinet Office and Department for Communities and Local Government

explain that, if I may. In terms of the delivery of the tasks in the plan, we can and do measure that and establish that, and it will be part of the objectives for individual permanent secretaries. We will have an assessment of how well they have done and we will also have an assessment of how the Department has done.

Q9 Chair: By when?

Sir Bob Kerlake: We have already done a lot of work on that, and we will have something by the summer as part of the one-year-on report. We will have a clear assessment of where Departments have reached, both individually and collectively, on the plan.

Q10 Chair: So, if we said to you that, in response to our recommendations, we want a set of performance measures by which you are going to assess whether or not this great reform of the civil service is actually delivering any improvements, you will be able to give us that?

Sir Bob Kerlake: Yes, we will. What I am saying to you is that there are different kinds of performance measures. The first is: have the tasks been delivered? The second is: have the big efficiency savings that Stephen and his team lead on been delivered? There are very clear tasks for each Department on that. The third is: have the reductions in staff and the budget changes been delivered? The fourth is: how well are they doing on the delivery of the Government's agenda with that reduction in resource? So there are very clear ways in which we can measure progress. The fifth, I would say, is how well the engagement scores are coming through, through the annual survey we do. The bit we are still working on—it may be something that Katherine wants to say a few words on—is how we evaluate the outcome effect of all this. That is a more complicated thing to do, as I think the NAO acknowledges. We need to do a bit more work on that.

Q11 Chair: You mean what the new civil service will look like.

Sir Bob Kerlake: It is the bigger question.

Q12 Chair: What will it look like? What would you like it to look like, Lord Browne?

Lord Browne: First, let me go back. What I would like is more granular targets—detailed targets—because if someone asks me, “How is it going?”, I can think of stories I hear but no consolidated measure of where we are going to go. I have a particular view: the civil service should benchmark itself against any other comparable organisation and, ideally, be the best in class—there is no room for anything different from that. However, that is not done in aggregate; it is done bit by bit.

Q13 Chair: This is just out of interest. I had the pleasure and privilege to meet the non-exec directors. We are getting on now for nearly three years of this Government, so you have probably been around for two years—

Lord Browne: Two years, roughly.

Q14 Chair: Have the non-exec directors ever suggested a reward for anybody, or that any permanent secretary might move from his or her job?

Lord Browne: No, because it is not actually our role so to do.

Q15 Chair: It is your role to assess performance—

Lord Browne: To assess performance, it is.

Q16 Chair: And to recommend, as I remember it, to the Prime Minister directly, whether or not you think somebody is up to the job—that is your role.

Lord Browne: Whether they should be dismissed or not; we have not done that.

Q17 Chair: You haven't done that?

Lord Browne: No. I think there are several things that back up. First, I think it is very important that all senior members of the civil service should have clear enough objectives against which they can be evaluated. That is improving, but I do not think it is there; it is not to the standard where you really could evaluate someone, but it is much better than it used to be. Without that, it is very difficult to say that someone is underperforming; if you do not know what they are performing against, it is very difficult to measure whether they are underperforming.

Q18 Chair: There is agreement there. We agree with you on that. My reflection would be that it is a bit disappointing, more than halfway through the Parliament, that we are not in a state where you have those performance measures, against which you can start assessing whether or not the senior people in the civil service are meeting those targets. We would have expected that. I think that was the statement; it was so early on that it was when you were set up.

Lord Browne: Remember, please, that we do not have any statutory position; effectively, when you push through it, we advise. This is something that has been on the table, and we actually do now have a set of permanent secretary objectives. I have not seen them all—I have seen one, I think—but my sense is that we have to keep pushing to get things that are sufficiently appropriate and clear for permanent secretaries, and for the other senior members of the civil service, in order to understand the effectiveness of what they are doing.

Sir Bob Kerlake: It is worth saying that we have published the objectives of permanent secretaries now.

Q19 Chair: Are you going to measure them?

Sir Bob Kerlake: Yes.

Q20 Chair: How are you going to reward people or indeed, discipline those who don't meet their objectives?

Sir Bob Kerlake: We are following the same model for permanent secretaries as we are for all civil servants, which is to say that we have an end-year review—

Q21 Chair: By when?

Sir Bob Kerlake: We are undertaking them now.

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Q22 Q22 Chair: You are undertaking end-of-year reviews now?

Sir Bob Kerlake: We have started that now.

Q23 Chair: Are they going to be transparent? Are we going to see anything out of this?

Sir Bob Kerlake: They are clearly confidential to the individuals, but that process goes through to the Prime Minister and the end-year reviews inform where people are placed in terms of their performance—whether they are regarded as having performed exceptionally, in which case they will be in line for a bonus, whether they have performed well but not sufficiently to get a bonus, or indeed whether they have underperformed and there are issues to be addressed. That is the same model as the one we are applying across the civil service.

Q24 Chair: I hear that, but I am also slightly worried if there isn't going to be transparency. Taking an individual example is always a bit invidious, but I will because I can't see how else to do it. The mood out there is all too often that people in the civil service don't get held to account for performance and may get rewarded for failure. Most recently, we saw the Home Affairs Committee report on the UK Border Agency, the head of which—this is not personal, and it is not for me to judge—was found more than wanting, and it expressed surprise that she was then given the stewardship of HMRC. That does not establish great public confidence. If these assessments of the ultimately accountable permanent secretaries are going to be personal—I understand your motivation on that—how on earth will people out there feel any confidence in the system if all they see is people being rewarded? She went through UKBA, she then went to the Department for Transport, where there was the west coast main line fiasco, and she is now in HMRC. I am trying not to make it personal, but it is difficult, given that most recent example, to think how we are going to introduce a system that inspires public confidence. That is probably the question.

Sir Bob Kerlake: I will make two or three points on that. First, on the Home Affairs Committee issue, Lin Homer issued a pretty robust response to the points it raised. Secondly, on the DFT, Sam Laidlaw undertook an independent review to look at the causes of the west coast main line failures, and we must be clear about that. It identified where responsibility lay, and he did not identify Lin or any other permanent secretary. Thirdly, as I said earlier, we will have a robust annual appraisal process. There is also the Department's performance to consider, and clearly if a Department is failing, there will be serious questions about whether the permanent secretary is performing. The Department's performance is in the public domain.

Q25 Chair: Perhaps I can come back on that. First, we are more than halfway through the Parliament. Lord Browne has told us that he has never had the information on which to make even a suggestion or recommendation to the Prime Minister. Your response to me, which is about an individual but I could have taken another Department, is simply, first, "Knock it

off, the Home Affairs Committee will get a response." Secondly, it is that someone else, not the permanent secretary, took the can for the west coast main line, and that somehow in the future—it is always in the future—we will get some clear accountability.

Sir Bob Kerlake: I don't think it is in the future. That is what I am saying. A clear process is being put in place—

Q26 Chair: When will Lord Browne have the data to be able to recommend to the Prime Minister whether or not permanent secretaries are doing the job that they have been signed up to do?

Sir Bob Kerlake: I think we will have a much more comprehensive process this year in terms of end-year reviews. In each case—

Q27 Chair: But it is all private.

Sir Bob Kerlake: Let me finish my point, if I may. In each case—in each Department—the lead non-exec will be part of that appraisal, so they will feed in and will have access to all the data to give a view. If Lord Browne wishes to see all the data on this, he will also have a chance to do so.

Q28 Chair: Finally, we are more than halfway through, and when I was preparing for today I was reflecting on whether we are beginning to see improved capabilities. One issue that is really important to this Government is the capability to contract with private companies delivering public services, which is something that this Committee spends a lot of time on. I remember the west coast main line—others will remember other matters—which was a fiasco. I remember the Ministry of Justice interpreters' contract, which was a fiasco. You may think that the DWP is improving, but we think the way it has handled the contracts on the Work programme has been less than satisfactory. I also remember the Department of Energy and Climate Change and the offshore wind farm contract. I spent literally two minutes on a Sunday night thinking about what we have seen this Government doing and, therefore, the capability within the civil service to protect taxpayers' money in doing these contracts—it doesn't look great.

Sir Bob Kerlake: I agree. It is an area we must improve on. We do actually need to balance those ones that have clearly not gone in the way they should have done—

Q29 Chair: Give me one that is good.

Sir Bob Kerlake: A huge amount of contracting work has been done in a whole range of Departments, including the DFT, which clearly had problems with the west coast main line—

Q30 Chair: I cannot think of one that is good in DFT. Has there been a good one that we have looked at?

Q31 Jackie Doyle-Price: The M25 one was terrible.

Sir Bob Kerlake: Which one? I cannot hear what you are saying, sorry.

Jackie Doyle-Price: The M25 one.

Sir Bob Kerlake: I am not saying that there have not been ones that have gone wrong. I am happy to supply you with a list of all the contracts that the Department has done and—

Q32 Chair: We have great concerns about HS2, which we will return to.

Sir Bob Kerlake: But HS1 completed and so on. Let us try to accept that there are some—

Q33 Chair: I am not trying to be mean, Bob, but I was literally sitting there last night thinking whether I could find one example in this area, which is a Government priority area, so you would have that there might be some focus on it as an area you would want to improve—

Sir Bob Kerlake: Let Stephen come in, because he leads on this work.

Stephen Kelly: We were giving evidence some weeks ago, specifically on procurement. I totally accept the challenge that we have much work to do. Central Government spend £40 billion a year, so are there still cases where we need to step up and save money for the taxpayer? Absolutely. Let me just step back for a second and talk about some of the things that our chief procurement officer, Bill Crothers, has been setting out; he gave evidence a few weeks ago.

First, we have worked with Sir Bob and the various leaders within the civil service on a procurement reform plan. Underpinning that is a whole capability improvement strategy, which forms part of the civil service reform plan. A key element of that is the commissioning academy, which was set up last year and we have now had about 50 commissioners go through that process. The plan is to roll it out to 200 during this fiscal year of 2013–14, to 500 next fiscal year and then to 800. Sitting at the corporate centre for government, do we still have a long way to go in commissioning skills? Absolutely. I would probably look to Lord Browne for some of the best in class examples but, bearing in mind that I spent 30 years in the private sector as CEO of a FTSE company and CEO of an American NASDAQ public company, our ambition is to have—

Q34 Chair: Give me one “good in class” example in the past couple of years.

Stephen Kelly: Let me step back. This year, we will be reporting savings figures initiated by the whole programme that the Minister for the Cabinet Office set up. I anticipate that on the procurement savings this year, there will be an additional £700 million saved, and on the commercial renegotiations with existing suppliers—

Chair: That is not the answer. Nobody is denying that the cuts are being made, but what I am trying to get at is that this is an area of public policy that is clearly a Government priority and the civil service reform is all about the civil service having to be better at commissioning—

Q35 Stephen Barclay: A previous NAO Report found that 38% of the savings reported could not be substantiated.

Sir Bob Kerlake: Let me deal with the specific question, which was whether we can give you an example. I am happy to give you others, but let me give you a specific one that I have been personally involved in. We recently sold off the fire training college, which was a loss-making operation for government. That has now been taken over by Capita, and it has secured both a surplus for government and the services that we wanted. That was done entirely in collaboration with the fire service, and all sides are happy with the outcome. It involved an in-house process with external and commercial input.

Q36 Chair: Lord Browne, do you have an example?

Lord Browne: I do not, other than the Olympics, which is well worn but good.

Chair: And generously funded.

Lord Browne: Very generously funded and with a revised budget—actually, even with the revised budget, it made it.

I think this has been a preoccupation of all the non-executive directors. That is why the major projects leadership academy was put in place a year and a bit ago. That is long term: it will teach people about what they should look at. It will not make them experts, but it will teach them about what they should look at when they get a major project under way. I recently issued a report called “Getting a grip”, which was about major projects. The real conclusion is the old, old phrase: time spent in preparation is rarely wasted. That is what is going to have to happen, as 90% of all decisions are made in advance of actually doing something. It is about getting the plans right. That applies to major projects and to major pieces of procurement. They are all the same. We all hope that most of the recommendations in my very short report will be adopted.

Q37 Chair: A lot of your recommendations echo recommendations made by this Committee over decades, and we are very pleased to see them.

Lord Browne: I am sure they do, because I found it very difficult to find anybody who disagreed.

Sir Bob Kerlake: What I am trying to say is that of course improvements are needed here, but to deny that there have been any examples would be wrong. Let me send you some more, too.

Q38 Jackie Doyle-Price: The exchange that we have just had highlights the problem for me completely, because the Chair has just asked you some very focused questions on which we want evidence of a good outcome, and what we got from you is process.

Sir Bob Kerlake: I gave you a specific example—you obviously did not hear it—of the fire training college.

Q39 Jackie Doyle-Price: I did hear it, but that, again, was born out of previous failure, to be frank.

Sir Bob Kerlake: No, it was not; it was a totally different project. This was about the fire training college and the procurement process, which was a success.

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Q40 Jackie Doyle-Price: But we have still been hearing about volumes and process more than anything else. What we really have to do is get some real commercial rigour into how you manage those things. I am one of the biggest advocates of contracting out to the private sector—I am a massive supporter of it—but where it goes wrong is that we are generating a whole class of companies that are good at bidding for contracts, and that know exactly how to tick boxes that you will look at favourably, but that are not necessarily delivering value for money. We are actually creating public sector monopolies. How are we going to get that kind of commercial discipline throughout the civil service so that those providers are really challenged?

Sir Bob Kerslake: Let me come back on that point. First of all, by bringing in outside expertise in the form of people who have worked in and therefore know about the commercial sector—people who have worked for the bidders, basically. Bill Crothers is a good example of that. He prepared bids on the other side of the table, so he has a pretty good understanding of how the bidding process works.

The second thing is to have cross-Whitehall processes. One of the things that the team found was that we had three or four, and maybe even more, Departments contracting with the same contractor. The person who had the power, then, was the contractor, because they were playing off four or five Departments.

The third thing is to have a pretty substantial programme of raising awareness and skills across all managers in the civil service. That will be launched tomorrow. That is the plan that we have.

Q41 Jackie Doyle-Price: How long will that take, though?

Sir Bob Kerslake: The first bit is already in place—we have the expertise in place. The second bit, in terms of a more unified approach to contracts, is also in place now. We have controls that do not allow contracts to be let individually by Departments unless they have been cleared through a process. The third one will be announced tomorrow, and we would expect it to be advanced very substantially this year.

We are very clear—and you will see this in the plan tomorrow—that where we are buying common goods and services, we should only buy them through one source. That will be part of the plan tomorrow as well.

Q42 Jackie Doyle-Price: Lord Browne, what is your view of this? Obviously, I would look to the non-execs to be much more challenging on how those contracts are being given, but are you satisfied that there is enough in place really to upskill the civil servants who are managing these projects so that they will bring the challenge day to day in terms of contract management?

Lord Browne: Even if there were enough in place to upskill the civil service, which would be very difficult, I question whether we should do it. Within teams, you have to have a balance between people who have deep expertise and deep experience in the outside world and people from inside the civil service. That means the civil service has to employ some very expensive people who are paid much more than the Prime

Minister and so forth, but only for periods of time in which they actually get these things done. In the end, this is about the quality of the deep commercial understanding of the people combined with the right processes, checks and balances. We need really great people.

Q43 Jackie Doyle-Price: More consultants?

Stephen Kelly: You also need great people who typically have domain experience. It is no good having someone with tremendous experience of ICT going up against a rail franchiser; you need to know the business model. Candidly, it would be great to wave a magic wand and have hundreds of these people. Lord Browne will know from BP, and I know from the private sector, that these folks in the private sector are quite scarce. We have some, and Bill is a great example—25 years experience at Accenture. We are now forming joint teams with the Departments in the centre on renegotiating a lot of these contracts, of which Madam Chairman is well aware, and that is delivering savings. On new contracts, there is obviously a big responsibility on the Departments to take the lead if they are tanks, planes, trains and very specialist equipment, but you need deep domain experience in those areas.

Q44 Jackie Doyle-Price: Those people are scarce.

Stephen Kelly: Yes, they are.

Q45 Jackie Doyle-Price: And that is what is scary, because we are talking about the biggest contracts in the marketplace.

Sir Bob Kerslake: You are absolutely right.

Q46 Chair: Are you going to pay the people the right amount? Are you going to do what Lord Browne says, Sir Bob?

Sir Bob Kerslake: Yes. We are quite clear that you need a mix of permanent people—

Q47 Chair: Are you now actively recruiting people who are actually going to be paid well in excess of what the Prime Minister earns, so that they can do this sort of job? Are you actively recruiting now?

Sir Bob Kerslake: We will recruit them. Yes, is the short answer.

Q48 Chair: You will, but you are not actively at the moment?

Sir Bob Kerslake: I am saying that because it will be on specific procurement processes. We have some standing people, such as Bill. Where we are doing a major procurement process and there is risk involved, we will procure people with expertise.

Q49 Chair: As consultants?

Sir Bob Kerslake: As either secondments into the civil service or consultants, if that is what it requires—one or the other, really, but one way or another—

Q50 Chair: So we will not get another west coast main line fiasco?

Sir Bob Kerlake: Actually, the west coast main line did not have a bar. They could, and if they needed to should, have used—

Q51 Chair: They did have a bar. At that point in a cycle, they were not allowed to recruit consultants and did not have the in-house strength.

Sir Bob Kerlake: This is often said, but if you look at the report, they did use consultants. They used them on the financial appraisal part. There is an argument about whether they used enough consultant experience. In fact, it is a myth to say that you cannot recruit consultants in to do work; there is a clearance process for consultants to ensure that we are getting value for money, but it is very clear that we allow consultants in to do critical pieces of work.

Stephen Kelly: On that, in, I think, 2010, the consultancy spend by central Government was £2.4 billion. It was cut, through the first years of controls, to £700 million, but, where there are valid business cases, £700 million is still spent by the British Government on consultancy to protect the taxpayer.

Chair: It is interesting that you say that because my assumption was always that the Department for Transport felt that it could not use the necessary expertise.

Q52 Stephen Barclay: Sir Bob, why have Departments been able to bypass the starting gate process for major projects without repercussions?

Sir Bob Kerlake: I do not think that we were clear enough about this part of the process, to be frank, and I think a number of things have changed that. First, if you look at the reform plan, we said that we wanted to introduce a new requirement for accounting officers to sign off projects at the start. Personally, I felt that what happened was that announcements were made about projects by Ministers well before all the detail had been worked through, and we then kind of drifted into the projects. That was the first change. The second change was absolutely directly linked to Lord Browne's report. We will now have a much tougher starting gate process. It is a thing that we have learnt in the past year: we need to invest more time in the starting point and we need to ensure that we do not allow projects to get moving until we are sure that they are properly placed, even if they have been announced.

Q53 Stephen Barclay: So that was not a point that came out of all the previous reviews we have had?

Sir Bob Kerlake: I do not think it did, actually. There was a lot of work to say, as the Chair said, that we had insufficient expertise. The Major Projects Authority was created. We needed proper review stages, hence the MPRG process. The bit we have now strengthened, in the light of workshops we have had with Lord Browne and others, is the starting gate process.

Q54 Stephen Barclay: But surely that is a point that has come out time and time again. It is an excellent report by Lord Browne, but you cited fire services. Firebuy was a procurement vehicle that managed to

cost more than it saved on procurement, which is quite an achievement. On the fire control centres—

Sir Bob Kerlake: It was a disaster.

Q55 Stephen Barclay: One of the findings on the fire control centres was exactly the point that Lord Browne now makes. What seems so surprising is that when we have had that same finding time and time and time again, it requires Lord Browne to come along, just last month, and point it out, and, furthermore, there are no repercussions for Departments that have been setting off on projects without adequately designing them.

Sir Bob Kerlake: No, I think what I said was that we made changes on this as part of the reform plan and we are making further changes as part of Lord Browne's report. It isn't that we have not done anything on this, but we think we need to strengthen it further.

Q56 Q56 Stephen Barclay: In which case, if projects have been started, perhaps without adequate design, it is even more important that the MPA has sufficient teeth. Have you published the return on investment for the Major Projects Authority so that we can assess whether the spending is adequate for its task?

Stephen Kelly: I'm very happy to circulate the plan for the MPA and give you some data. The top line project portfolio in central Government is over £400 billion. Before the MPA was set up, only 33% of projects were on time and on budget. Today, I can sit here and say that that is now 66%.

Q57 Stephen Barclay: Mr Kelly, with respect, that is a different question. My question was in relation to the Treasury minutes for February 2013: "The Government agrees with the Committee's recommendation. Target implementation date: Budget 2013". That date has passed. Did you publish, as you promised the Committee, the quantification on the return on the investment?

Stephen Kelly: No. We did publish the GMPP, which is the major projects portfolio.

Sir Bob Kerlake: What is the return we are getting on the expenditure on the MPA is the question.

Q58 Stephen Barclay: The bang for the buck. Did you publish what you promised?

Sir Bob Kerlake: The answer is no.

Q59 Stephen Barclay: Why, given that this Committee made a recommendation, which goes again to the heart of one of Lord Browne's findings just last month? We made a recommendation on this point last year and you accepted that recommendation. You agreed to publish it with the Budget and you have not done so. Can you explain, please, why?

Sir Bob Kerlake: I cannot answer that question now. We will come back to you on it.

Stephen Kelly: We will give you a response. To put it into perspective, there are 42 people in the MPA.

Q60 Stephen Barclay: Yes, there are 42 people. I asked about this last year. Last year, there were 38 people in the MPA, so it is good that has gone up

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slightly, but on the press office, the communications staff at the Department of Health last year was 86.5. In the press office/communications at the Home Office, it was 51. We have a Department, the Major Projects Authority, which Lord Browne quite rightly says does not have teeth, looking at projects that have been started. This authority is covering 200 projects with a combined worth of £376 billion and has fewer staff than press offices at the Department of Health.

Sir Bob Kerslake: I have two points to make. One is that we are reviewing the level of resources. On the second point, you are quite right. There was a request to do something and it has not been done. We will come back to you on that.

Q61 Stephen Barclay: How many Cabinet sub-committees have there been over the last 12 months?

Sir Bob Kerslake: I cannot give you that answer.

Chair: Sorry, Sir Bob, you need to speak up a little.

Sir Bob Kerslake: I beg your pardon. I said I cannot give you the answer to how many Cabinet sub-committees there have been.

Q62 Stephen Barclay: Could you give us a ballpark for how many Cabinet sub-committees?

Sir Bob Kerslake: No.

Q63 Stephen Barclay: Not even a rough figure?

Sir Bob Kerslake: No.

Q64 Stephen Barclay: Okay. When we had a hearing with you and Sir Jeremy, one of the key points that you both set out—in terms of concerns expressed by a number of your predecessors about the split of your responsibilities—was that in some of those Cabinet sub-committees, Sir Jeremy would pick up areas cross-departmentally where the policy outcome was “misdesigned”, and you would pick up, in terms of sub-committees, where they had failed to deliver and a lack of capability and skills within Departments. Could you update us on that work?

Sir Bob Kerslake: We are doing it in two or three different ways. The first thing we are doing is having regular progress reports with Departments on how they are delivering on their responsibilities as a Department. Those meetings happen with officials and with the Permanent Secretary, and we are doing a sequence of those meetings to say, “How are you doing? Where are the risks? Where are the issues?” Secondly, for those Departments with big programmes—major projects—we are also meeting with them to understand how well they are geared up to deliver their programme of major projects.

Q65 Stephen Barclay: What is the average length of a major project?

Sir Bob Kerslake: I honestly cannot give you a simple answer to that question.

Stephen Kelly: It varies, but it would be—

Stephen Barclay: That is why I said “the average”.

Stephen Kelly: The shortest would be six, but some of them would be three years. Six months to three years. I do not know the precise average at this moment.

Q66 Stephen Barclay: To what extent has that come down since 2010?

Stephen Kelly: I don’t know that. I know the data on the outputs. I know that we have doubled the on time, on budget. We started with 47% civil servants doing the reviews; it is now 87%. Last year, we did over 120 reviews of projects. So I know the outcomes of what the MPA have done.

Q67 Stephen Barclay: When I asked a parliamentary question last year, Mr Kelly, of the 180 projects then reviewed by the MPA, only two had been terminated—that is 1.1%. Yet one in five—or 19%, to be precise—were red or amber-red. Can you update us on the figures now?

Stephen Kelly: I have not got precise figures today, but what I can say is that the six critical points of Lord Browne’s report—variously, the starting gate reviews, regular assurance, the post audit—have all been picked up. I would be very disappointed if I came back to you in, say, 180 days, and they had not been fully implemented in the MPA.

Q68 Chair: I have to say to you that the civil service reform plan starting gate review is also red-amber.

Sir Bob Kerslake: Yes.

Q69 Chair: So even the review, which was supposed to put everything right, is itself red-amber.

Sir Bob Kerslake: That is fine because of the stage the plan is at. We must not assume that because projects are at red-amber they are not going to deliver.

Q70 Stephen Barclay: No one is suggesting that, Sir Bob. It is often a sign of health that people have identified this issue. All I am saying is that your evidence today is saying that projects were sometimes started by Departments without adequate work and there were no repercussions. The MPA is not resourced to have teeth, or sufficient teeth—that is what Lord Browne is telling us—yet of 180 projects, only two were terminated, and you are unable to tell us today how many have been terminated.

Stephen Kelly: You are right to ask the question about timing. GMPP publishes those by Department; it should be released and available during May as it is a quarterly process now. We update it and put it in the public domain. In the spirit of transparency, it is provided for all the major projects on the list that are reviewed by MPA.

Q71 Stephen Barclay: There is scope for a coach and horses to be driven through the transparency process. In reply, the Treasury minute says, “Departments have the autonomy and will be responsible for deciding what project information will be published as laid out in the MPA guidance.” As we heard in a previous session, when there was to be no hiring except for essential front-line staff, each Department was free to define that as they saw fit. So, the Cabinet Office itself hired press officers on the grounds that they were essential front-line staff. I think that Mr Clegg has been spending over £1 million over the past nine months on hiring 60 new policy staff and 30 admin support staff, whom, one assumes,

are also essential front-line staff. My concern is that in your response to the Treasury minute you are giving Departments the autonomy, in essence, to decide what they report.

Stephen Kelly: We would encourage any support the Committee gives us on improving transparency around better programme management, because it is everybody's interest.

Sir Bob Kerslake: Can I just make two points on that? First, the red-amber-green rating for individual projects following a review by the Major Projects Authority is made by the authority. They have clear autonomy to make assessments of those projects, however convenient or inconvenient it is for the project holder. You receive a report from the MPA, which sets out where they are on projects. Secondly, in terms of teeth, it is quite clear in the current rules—this will be strengthened, partly as a result of Lord Browne's report—that for projects going through a review stage, if the MPA are not satisfied about progress or confident about the project, the funding for the next stage of the project will be held back. So there is a pretty tough grip on projects. If they are not moving forward adequately, the MPA have the ability to—

Q72 Chair: We do not believe that is happening—we just don't believe it. Don't tell me you have held back funding for universal credit because of the concerns around it. I just don't believe it.

Sir Bob Kerslake: I can't comment on individual projects. On the point you are making, are the teeth there? The answer is yes, because you can control the funding for the project. That is quite important; I am not going to lose this point.

Q73 Stephen Barclay: But Lord Browne's report says that there are insufficient teeth. With respect, you just said that there are sufficient teeth. Sorry, I don't want to quote your report back to you.

Lord Browne: I was saying two things. One is that the stage gates have to be smaller, so you can see with precision what you have actually been doing. They are too primitive at the moment. Secondly, funding must be tied to passing milestones, and the Treasury has to do that. Bob, I think, has said that. It is a matter of getting it—

Q74 Stephen Barclay: You gave that evidence to us previously about keeping people fresh with interim milestones.

Lord Browne: Correct. I gave you it some time ago.

Q75 Chair: Don't tell us that's what's happening in Government.

Lord Browne: Well, I think we would now like to see it—as far as the non-executive directors are concerned, we would like to see this happen.

Q76 Chair: In the future.

Lord Browne: In the future.

Stephen Kelly: It probably hasn't happened in the past.

Q77 Stephen Barclay: But you also gave us that same evidence a year ago. The frustration of the Committee is about why Lord Browne's excellent advice is not being picked up.

Stephen Kelly: Tomorrow, I am personally involved in a workshop with our Treasury colleagues and IUK, taking Lord Browne's report and seeking to crystallise it into an implementation plan.

Lord Browne: May I add that there is about £400 billion-worth of major projects, and very roughly, as I understand it, £20 billion of that is spent a year? You can therefore figure out that they last for 20 years. That is not quite the right maths, but below that there is another £400-odd billion of smaller projects. These, because they are smaller, are probably faster, but they should be subject to the same controls within each Department—very rigorous controls.

Chair: I am sorry as I am hogging this a bit, but what was really clear when we dealt with the interpreters contract in the MOJ, which was only—"only" says she—£40 million, was that it was below the radar of all the senior officials in the MOJ, yet it was an outrageously badly managed contract. They didn't even look at the financial due diligence in a sensible way at all. They gave a contract to somebody, having been told they shouldn't have a contract in excess of £1 million.

Q78 Mr Jackson: Can I take you back to the west coast main line issue? What we have been talking about, quite rightly, is process; we've been a bit fixated on it. I think what we found in the debacle over the west coast main line contract was that this is not about process, but about culture—the rather peculiar culture in the Department for Transport that you had Chinese walls between very senior civil servants and those individuals responsible—those teams responsible—for procurement. The reason I use that example is to challenge you as to whether you are tackling departmental culture and uncovering something like that again, which is very expensive, given, of course, that we are now proceeding with other rail franchises. The Secretary of State told me before the Easter recess that they had learnt lessons. I just wonder, how au fait are you with the inevitably different, individual, discrete cultures within Departments, rather than just process?

Sir Bob Kerslake: It is a good question. It does vary from Department to Department. I think the way we get to culture is through what used to be called the capability reviews but are moving now to being individual departmental improvement plans, which should go to the heart of, how is this Department working and what are the unspoken rules? That is often the culture point, isn't it? Where are they acting as a barrier to progress on projects? That is a conversation we are having for the whole of the Department. When I spoke earlier, I said we were doing reviews of all the projects—a sort of portfolio review for individual Departments that have a high number of projects. Part of the conversation is, how does this Department work to help to deliver these projects and what does it do that puts them at risk in the way it operates? So we are doing a combination of the individual project work that we have just talked

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about—having teeth within the system—and some work about how the Department works, because you are quite right: if there is an underlying way of doing business in a Department, it will undermine all the projects, almost whatever controls we put in place.

Q79 Meg Hillier: Sir Bob, a year ago I was talking to you about skills in the civil service and I want to go back to some of that. I asked you whether you saw a future where you had fluidity between the private sector and the public sector—people going backwards and forwards—and you said, if I may paraphrase it, that you quite liked that idea, but you also promised—well, you had a target to deliver the five-year capabilities plan. That was promised for last autumn but then delayed to this year. What is the progress on that?

Sir Bob Kerlake: On the first point, I still strongly believe in interchange. We have a Cabinet Office-run programme of interchange. We have said that all fast-streamers now being recruited should have some experience outside the civil service. We are going to measure the experience of senior people coming into roles in terms of their wider experience. It was my view a year ago and it is my view now, and we are doing things about it. On the capabilities plan, we will be publishing that tomorrow, so you will be able to get a sense of what we are doing there.

Q80 Meg Hillier: Just in time.

Chair: Just after we have met.

Sir Bob Kerlake: Apologies for that. It is just before a PASC meeting, so I am going to hit one of my purposes. I should say that it is not linked to the timing of your Committee. Just to reveal what is in it, one thing that we are saying is that there are four key areas that we need to get better at in specific skill terms. One of those is commercial, which you have just talked about and which we are very weak on. I would say that that is the weakest area that we have to focus on at the moment. Secondly, programme and project management—you have heard about that. Thirdly, digital, and fourthly, leading and managing change, where we have performed very poorly on the scores in the staff survey. Those are the four key priorities.

However, in the plan that we publish tomorrow, we are also saying that we need to look at how we organise ourselves, as well as at investing in new skills. For example, there is no point in investing in every Department to have people who can purchase goods. If we do it in one place, we concentrate the skill.

Q81 Meg Hillier: You have picked up all the points that the NAO identified, so it is good to know that you agree with that.

Sir Bob Kerlake: I do, entirely.

Q82 Meg Hillier: That is a good start. Going back to the issue of external recruitment, a year ago I also asked you about the turnover of different professional groups, and you undertook to go away and look at whether you could provide that data. I have heard nothing in a year.

Sir Bob Kerlake: We have got the data. Apologies if we have not supplied it to you—we will do. We now have good data on turnover by Department, and we have good data on turnover at the SCS level as well. We have reasonably good data on that.

Q83 Meg Hillier: Is that by strata or grades?

Sir Bob Kerlake: On specific professional groups, we still have not pulled that all together yet, and I apologise for that, but we do have pretty good data.

Q84 Meg Hillier: That is pretty critical though, isn't it? You have a capabilities plan, and you talk about wanting to have fluidity. We know that there are challenges with that. For example, there are people who will come in at a very senior level, who need to cleanse their CV. They will spend three years in the civil service because they cannot go and work anywhere else in the private sector without a multi-million pound buy-out of a private sector company. We in the public sector gleefully rub our hands and say, "Whoopie-do—there is somebody coming in from the private sector with all that brilliant expertise." In fact, they need the civil service as much as the civil service or the Government needs them, arguably. I am not suggesting that you are in that category, Mr Kelly, but you have come in from the private sector.

Stephen Kelly: I can assure that I am not in that category.

Q85 Meg Hillier: I hope you are sticking—I hope that some people are sticking a bit longer. There is that risk that people come in because it builds their CV, and you have this revolving doors thing, where people come in and go back out to the private sector. In some ways, there can be benefits to that, but there are big risks as well.

Sir Bob Kerlake: There are risks.

Q86 Meg Hillier: Unless you are monitoring how much turnover you are getting, how can you judge?

Sir Bob Kerlake: Well, we are monitoring turnover. I cannot give you precisely—this is the bit that we have struggled to get, which I will be frank with you about—how many people come in, go out and then come back again. What I can give you is turnover rates—

Meg Hillier: That would be a start.

Sir Bob Kerlake: And how much of that turnover is down to internal turnover, if you like, and how much of it is people moving out. The evidence suggests that, with the exception of a couple of Departments, turnover is significantly lower than the private sector.

Q87 Meg Hillier: We know that the Treasury is high, don't we?

Sir Bob Kerlake: The Treasury is high and the Cabinet Office is high.

Q88 Meg Hillier: The Cabinet Office? Can you unpack that? Why would that be? Why do people in the outside world want to work there?

Sir Bob Kerlake: It is in part because of the model that they use, which is to bring people in to do specific

tasks. The Cabinet Office has run that model for a number of years. They think that it is very helpful, in order for them to understand the issues in Departments, to bring in people to work in areas and then move them out again. So both the Treasury and the Cabinet Office are very specific business models.

Q89 Meg Hillier: Okay. In terms of delivery, the Cabinet Office is a bit of a different Department from others, but that is quite an interesting model. Is that what you see as a model for the civil service overall—that you do not have quite the same solid core of public servants?

Sir Bob Kerslake: No, I think that we do need people who hang around and take responsibility for specific projects and services, but we need a mix as well. The Cabinet Office has always worked on that model to give it new inputs from Departments. On the general point, overall turnover in the civil service is lower than in the private sector, and certainly lower than the national average.

Q90 Meg Hillier: It will be, right now, won't it? We are talking about different points in time, in a way. There is the civil service pension. Even if all these benefits are reduced—your redundancy packages and so on—they are quite generous. There are good reasons to stay in the civil service, on all sorts of grounds. You still get interesting work, but you have those sorts of packages. The more you recruit people and have this to-ing and fro-ing, the more likely there will be turnover.

Take the section about capability and skills in the NAO Report. Paragraph 2.28 says “Skills strategies in individual departments have not ensured they develop the skills they need.” Paragraph 2.27 says “The failure to develop essential skills in core areas had led to departments becoming over-reliant on certain types of consultancy”. We know that these problems are there, and I do not really sense that there is a grip on how to make sure that the modern civil service both brings in skills and maintains some continuity. That is what I am driving at. There is a tension there.

Sir Bob Kerslake: I think there are two points, really. One is this: we do want to recruit people, actually; that is part of the deal. Part of what we do to grow our own resource is what is in the capabilities plan that I spoke about earlier.

Q91 Meg Hillier: Tomorrow.

Sir Bob Kerslake: Tomorrow. It is both. Actually, the number of people from outside is quite high. If you look at DG level, it is actually at 40% coming in from outside. I will go back and do the analysis of that specific group, but I do not think there is any evidence that the people coming in from outside can go through a kind of rotating door out again.

Q92 Meg Hillier: What would be really helpful, and seriously important, is this: there is a difference with someone very senior coming in. If you are in the very top income bracket, you can pretty much take your job where you want it, and you need to keep moving to keep yourself fresh and live in that high-level market, where, as the Chair pointed out, you get over

and above what the Prime Minister is paid. At that end of it, that expertise in the civil service is a very marketable commodity out there. It is important but less marketable at a lower level. For instance, press officers and IT people may well move around a bit more, because that is the nature of those professions. Lord Browne used the word “granular” earlier; we do not have great granularity. I asked a year ago about the turnover of professional groups. A year later, you cannot answer that question, and that is pretty key to getting an assessment of what the capability review should be training up and what can be brought in from outside, I should have thought.

Sir Bob Kerslake: We will see what we can get by way of granular detail. Perhaps we will take a few Departments as examples to give you an illustration of that. One thing we have introduced as part of this year's pay round is what we have called a pivotal role allowance, which allows us to increase the salary for very specific posts that we see as critical to a project, or absolutely critical to Government delivery, so we do now have a way of hanging on to key people in key roles when those issues arise.

Q93 Meg Hillier: Is that being monitored, because I can see that is good? I had project managers, when I was a Minister, who did good jobs and then had to move for promotion, so I welcome that on one level. On the other hand, I do know that there can be weaknesses in management, where somebody has got used to and reliant on somebody, and pays the money without really analysing. How are you going to test that?

Sir Bob Kerslake: The answer is that it will not go forward unless it has been agreed through the Cabinet Office, so there will be a central control over who gets the pivotal role allowance.

Q94 Meg Hillier: So localism, but not in your civil service.

Sir Bob Kerslake: Not in the civil service, no.

Chair: Right, I have Austin, Amyas, and Steve, and then I have some more questions.

Q95 Austin Mitchell: This process is all frustratingly impressionistic. You have two incompatible processes going on. There are massive cuts in public service—civil service—numbers, which is bound to be disruptive and produce problems, as with the Border Agency, the queues at the airports, the telephones not being answered in HMRC—all that kind of stuff. At the same time, you have public or civil service reform, which we are all in favour of—it is, as you said, Chair, motherhood and apple pie—but those two processes are incompatible. How on earth are we going to measure the effects of the interaction—the effects of whether public service reform gets round the bad consequences of civil service cuts? We can never get to a situation, can we, where you can provide us with statistics on, for example, the number of civil servants fired, telephones answered, customer complaints dealt with, queues at airports, and failures fixed? We will never have the satisfaction of measuring this process. It will be a matter of Sir Bob coming along in five years' time, in his amiable way, and telling us, “All is

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still for the best in this best of all possible worlds”, and we will simply carry on and say “Marvellous”, but we will not know.

Sir Bob Kerlake: I think it is very hard to measure. I am not going to deny that it is hard to measure these issues. What we can say, though, is whether or not Departments that are big service providers are meeting their service performance targets in the round. There will be some areas where they do not, and some where they do, but in the round, are they delivering those? Secondly, are Departments, where they have specific projects, delivering those projects on budget and on time? Thirdly, we will be able to test whether or not Government programmes of activity, which are set out in their business plans, are being delivered on time. We measure all three of those things. We measure service performance, success or otherwise on projects and programmes, and delivery of Government priorities through the business plans. That is the ultimate test of whether or not we have managed to deliver a better civil service

Q96 Chair: Would you be better off with fewer Departments?

Sir Bob Kerlake: That is an interesting question you ask. What I do think is this: with fewer Departments—inexorably, we will have to share a lot more services across Departments—

Q97 Chair: With fewer, you would have to share?

Sir Bob Kerlake: No, sorry, I am saying that with fewer staff—let me get that right—in my view, you have to change what you define as a Department, actually, in many ways. Departments at the moment assume—

Chair: I am thinking of one or two I have served in.

Sir Bob Kerlake: Indeed. Departments, historically, have assumed that they have to have every service—a finance, IT, personnel, and purchasing function. They have to have an internal audit. That world has gone, in my view. The default will be sharing services across Departments, and you can envisage a world where the bulk of services are shared—not just a few of them. In that situation, the Department is the policy resource; it is not all the paraphernalia that goes with it. Where we will all move in reality is probably not towards a merging of Departments. That is a matter for the Prime Minister, but that is not where we are at the moment. I do think we will see much more sharing of the support services.

Q98 Austin Mitchell: Let us take a concrete area. We have got figure 1 here, which is the update on civil service reform plan actions. Action 6 is to “Ensure administrative resources match Government policy priorities”. There is some good stuff in this—Lord Browne is getting a grip—which I hope is implemented, but this is the Department for Education. It has developed a “zero-based budget review in November 2012, which committed to a 50% reduction in its administrative budget by 2014”. Here we have a Department that is carrying through the biggest centralisation of education that has ever taken place in this country, which is taking all the academies out of local authority control and putting them under

its control—making them accountable to it, and ultimately, one hopes, to us—and it is going to be carried through with a 50% reduction in the staffing budget. It is just impossible. It is daft.

Sir Bob Kerlake: I do not agree with that. It did a very fundamental review of what it should put its resources into, and how it could redirect resources towards supporting the academy programme, so it is not just saying, “Cut everything across the board.” If you read the review that was undertaken, it says, “We stopped doing some things, and cut out a lot of processes that were actually getting in the way of things happening, rather than helping them happen; we shifted resources from lower priority work into supporting the academies.”

Q99 Chair: Sir Bob, it is so theoretical. All I can tell you is that in this Committee’s point of view, one of the reasons why the Department for Education and the whole of Government accounts get qualified is that we have not got the accounts in—it is very basic; we have not got the accounts in—from the academies. You have not got them in. Who is going to chase them? It has these priorities, I can see. I am not one to argue “more responsibility, more staff,” necessarily, but on the other hand, you have got to do the basics, and one of the basics is getting your running accounts in.

Sir Bob Kerlake: Of course, but I would say the report is a good deal more than theoretical. If you actually read the review report, it sets out very specific actions, such as reducing the number of centres across the country—that is under way at the moment—shifting resources away from support functions, and actually moving to what I said earlier, which is buying in those services—

Q100 Chair: Are we going to get the accounts in next year?

Sir Bob Kerlake: You would need to ask the permanent secretary—

Q101 Chair: No, you are responsible for the reform. It is cutting by 50%—all fine, if it thinks it can do it. This Committee’s demand is that we want to see where the taxpayers’ money has gone, and the most basic way in which we can monitor that is by having the accounts, which can then be verified by the Comptroller and Auditor General.

Sir Bob Kerlake: I would expect the Department to meet their obligation in relation to the accounts.

Q102 Chair: And if it does not, are we going to see somebody losing their job?

Sir Bob Kerlake: It is a performance issue for that permanent secretary and for his Department. The last point I want to make on this is that it is quite important to say that that review took it only to 2015. Clearly, there is an issue about where it goes beyond that.

Q103 Austin Mitchell: It is all a proclamation of good intentions, isn’t it?

Sir Bob Kerlake: No, I do not think it is.

Q104 Austin Mitchell: Let me give you another action. This is action 14: "Increase dynamism and flexibility by making it easier for staff at all levels to move between the Civil Service and the private sector." At fast stream level, all new entrants will have a secondment that will enhance their development, and a central support offer for secondments is expected to be launched in May 2013; otherwise, you are going to turn them all into businessmen. The question arising from that is: how can you do that effectively and efficiently without bringing civil service pay up to the level of, say, the banks, or the big four accountancy houses, with their high salaries? This is being done against a background of complaints that the civil service are overpaid and over-pensioned, but in fact their pay has lagged well behind. They might get a knighthood out of it at the end of the day, but how ya gonna keep 'em down on the farm after they've seen Pate, unless you align the salaries?

Sir Bob Kerlake: There are three points there. I want to emphasise first of all that the zero-base review is a real review, and it is being implemented as we speak in DFE. I am sure that, if you wanted, the permanent secretary would come and tell you what he is doing in detail.

Your second question was about secondments. We do not give the salary that prevails in the organisation that they go out to. To be honest with you, people do not live in a bubble; they are perfectly aware of what the salaries are in other organisations, and they make choices about what job they do and how much they get paid. If the economy were to go through a sudden, massive growth surge, we might face a bigger concern over turnover than we do at the moment, but, here and now, as I said earlier, we do not believe we have a problem generally with turnover. In some very specific, market-facing areas we do, and we are taking action on that, but I do not think that the secondments programme will have much impact. People know what the salaries are; this is more about them getting experience.

As for the last point, about the fast track scheme, as part of the deal it will include people getting secondments. It is not airy-fairy; it is being done as part of the new fast stream programme.

Amyas Morse: I welcome the important comment you made about seeing the future of Departments as potentially being just policy front office, with an assumption of shared services. I think that that is very significant for the future cost of government and how it may develop.

Three quick points: first of all, from what you said, Lord Browne, I take it that the idea of early examination by this Committee of projects and how they have been started makes sense, from your support of that. It is worth making that point, because we have had mixed views on it in the past. We will persist on it, and I think that it is crucial that we do it.

Lord Browne: I think it should be laid out in a way that is readily understandable to everybody, if that can be done.

Amyas Morse: Thank you very much. The second point I wanted to make was to support what you were saying—if I can make it even more concrete—about how the gate system works. I am often concerned that

the gate system is a bit more like an opinion poll than a hard, number-driven evaluation. It is not so much that it is hard to measure; you need to measure hard. You need to select hard data points and drive them in. I know that you believe in this; I am just trying to make sure that we really get it on the record. Just asking people how they think a project is going, and getting a whole lot of people to give their views—that is what a lot of gate examinations are—is just not enough. You need people who are really qualified and expert, and you need hard information.

Lord Browne: I do not believe that this is breaking new boundaries of thought. It is a process that is well known. Best practice can be obtained. You can do it very well; indeed, I seem to recall that, a long time ago, the way that the Treasury laid out how to evaluate projects was rated quite highly in the private sector, but that must be two decades ago. I think there is a lot of good stuff here that could be revived, reoriented and modernised to make all this work.

Amyas Morse: Thank you for that; I agree. There was a final thing that I wanted to emphasise. There has been reference to the west coast main line. One of the things I was pretty surprised by as we came to report on that was the fact that the consultants were running a model on rate of return, and it really was not understood—as far as I could see—by the Department whether that model was sound or not. In fact, it was not, as our Report showed. What that really brings home to me is that the people who are on your team in the Department have got to have enough insight and knowledge to be able really to challenge anyone they are contracting with. It is not good enough to say, "Well, we relied on someone else." You have got to have people in there who know enough, and who are only batting for you, and you cannot assume that consultants are only batting for you.

Sir Bob Kerlake: Personally, I strongly agree with that view. In order to be a good commissioner, you need to understand the provider role and the provider-done systems, if you like. I agree with that 100%.

Amyas Morse: I take it that that means that if you do not have credible, really strong commissioning capacity for a project, you should not allow it to go ahead.

Sir Bob Kerlake: Yes.

Q105 Chair: To make this clear for the record, the Department for Transport's permanent secretary told us in his evidence that he was not allowed to recruit sufficient consultants; I have just got to tell you that. It was not something I made up in my head—that was his evidence to us. He was not allowed, because of the freeze on consultants at the time. It is one of those examples of where a short-term action leads to a long-term—

Sir Bob Kerlake: I stand corrected on that, but my understanding was that they chose not to—

Q106 Chair: No, his evidence was that he was not allowed.

Sir Bob Kerlake: I hear what you say. I will check it out.

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Q107 Stephen Barclay: Have you tracked, by Department, how much of Departments' savings were achieved through IT-enabled technology—in other words, by doing things smarter through IT?

Stephen Kelly: Historically, no, so in 2010 there was very little data at all, to speak candidly, around IT enablement. Around the digital agenda, looking at a 23% reduction in civil servants, the aim is still to have the same outputs. In the efficiency agenda, we are shooting for a reduction in Government expenditure, against a baseline of 2010, of about £12 billion this year. I believe from my private sector experience—we talked to Lord Browne as well—that you can go in and transform things through shared services, a digital agenda, effective renegotiations, commercial commissioning, and improved capability, and you can produce better outputs at the end.

Q108 Stephen Barclay: Sure—which is the point. As of today, do you have a breakdown by Department?

Stephen Kelly: As of today, in the business plans that we have kicked off, which are rolling three-year business plans, there is work commissioned with Bob, Department by Department, on their digital savings and the service improvements alluded to by Mr Mitchell, and that will be through IT enablement. At the moment, I would say candidly, Mr Barclay, that they are skeleton plans, and over the next 90 days, as part of the spending round, they will get fleshed out with more detail.

Q109 Stephen Barclay: So as of today, if we were to look at last year's savings, we do not have those data?

Stephen Kelly: On MPA, for example, I can give you the data. We are estimating that it is about £900 million. We are going through an internal scrub of that data, because we are two weeks after the close of the last fiscal year. Then we have the internal audit team, and then we are working with the National Audit Office to make sure that they are validated, so that if we come back here, we have a much higher rating, in terms of the audit savings proved through efficiency. I can give you, if you are interested in the outline or skeleton documents, what the plans are now, although they are subject to audit.

Q110 Stephen Barclay: What I am after is something really simple. You can achieve your savings by stopping your capital spend, offering less service, or working smarter and using technology more. In the private sector, the supermarket would try to deliver the same, if not better, customer service using technology, and it would reduce its staff costs at the same time. What I do not have visibility of is any sense, Department by Department, of that breakdown. To address Mr Mitchell's point, is it just that we are offering less service, or are we using technology? What I am after is whether you have those data and can give us a note of them, or whether you do not have data for last year on how much of the savings are coming from IT development.

Stephen Kelly: What we can give you, which I will pass to Sir Bob, are the data by Department and also, concerning Mr Mitchell's point, exemplars of where

they are introducing digital technology and online services that, first, dramatically improve engagement. There is the example of the Student Loans Company, or the RPA plans for farmers, where currently the cost is £727 per transaction. For every transaction in which we give a CAP payment to a farmer, it is £700. We can give you exemplars of where we have introduced—

Q111 Chair: Hang on, on RPA, you have not implemented yet.

Stephen Kelly: No, agreed.

Sir Bob Kerlake: Your question, Mr Barclay, is very clear. The truth is we have some analysis, but it is not yet complete. We are working it through. Where it becomes harder to form a judgment as to whether it is efficiency or just reduction in services, having looked at staff numbers reducing in Departments, we can pick out what has happened on, say, IT, and what might be achieved through shared services. My own Department, CLG, has reduced in size; we believe that we are still delivering a big, ambitious Government programme, and a lot of that is just a more efficient operation. It cannot be measured as scientifically as, say, the improvement in IT, but we will give you the best analysis we have.

Q112 Stephen Barclay: I was struck by the fact that in the 2010 savings, only 5% was from transformational change. It seemed that quite a bit was shoe-horned into the definition of what constituted transformational change.

Stephen Kelly: Finally on that, on the digital plan, which is published in November, and the departmental digital plan, which is published in December, we have identified that there are about 1 billion transactions that the Government do per annum, and about 650 services. There is a plan to get 23 of those exemplars working, which is three services per Department. Again, if you are interested, that is genuine transformation—better services for citizens at dramatically lower costs. On a taxpayer point, it probably costs 50 times more to do face-to-face transactions than online transactions.

Q113 Stephen Barclay: Which is why I thought it would have been the key priority. May I take you to paragraph 2.9 on page 16? By what date, Sir Bob, will all Departments produce unit costs in line with the Treasury mandate?

Sir Bob Kerlake: Which paragraph?

Stephen Barclay: Paragraph 2.9 of page 16 of the NAO Report. It says that “government does not yet understand the capacity of its departments to reduce costs, and they in turn do not fully understand how and where their arm's-length bodies can most effectively reduce costs”, and that the NAO found in October 2012 “that the Treasury did not have a common view of what data is required from departments, and did not mandate the production, for example, of unit costs”. Basically, it is highlighting the weakness of the management information that you hold. My question was about looking forward. Often people have a reluctance at evidence sessions to give,

moving forward, a delivery date. By what date will all Departments produce unit costs?

Sir Bob Kerlake: I cannot give you a date on that. I will come back to you on that question.

Q114 Stephen Barclay: Will you give us a date in the note, when you come back to us?

Sir Bob Kerlake: I will aim to. Until I have some more information, I cannot say, but I will ask the question.

Q115 Chair: Okay. I am conscious that you have to leave. We are drawing to a close. I just want to ask some final quick questions. I looked at the House of Lords Constitution Committee on civil service reform. One of their recommendations was that there should be a presumption that a senior civil servant will lead the implementation of a major project from beginning to end. You agreed that?

Sir Bob Kerlake: I think our aim should be to do that, but with some really long projects—

Chair: I understand that, but there should be a presumption.

Sir Bob Kerlake: We should aim to do absolutely that. The presumption is fine, but, as I say, some projects are just too long for that to be realistic.

Q116 Chair: They will have milestones, won't they?

Sir Bob Kerlake: Exactly right. They have milestones.

Q117 Chair: For the future, can we have an SRO—that is one of our little obsessions here—who will see things through from beginning to end?

Sir Bob Kerlake: We will do our best.

Q118 Chair: The Lords Constitution Committee also said that parliamentary Select Committees should have greater access to individual civil servants, and it recommended that the Osmotherly rules—the rules have no legal context, but people tend to follow them—should be revised. Do you agree with that, too? Does that follow from the first?

Sir Bob Kerlake: Yes, to both of those. The Osmotherly rules are being revised, and we have already said that it is open to Select Committees to call other people, including SROs, to their Committees.

Q119 Chair: Good. We have done a bit of that in the past, and we will continue to do so. Gus O'Donnell said recently—I did not hear the whole broadcast—that the principal role of the civil service is to challenge Ministers. Do you agree with that?

Sir Bob Kerlake: I don't think it is the only role, but it is a role.

Q120 Chair: The principal role?

Sir Bob Kerlake: I am not sure that it is the principal role. The principal role is to advise Ministers, to test what they want to do to see whether it is deliverable and effective, and, ultimately, if Ministers go with a decision, to deliver it.

Q121 Chair: So is the principal role to deliver on behalf of Ministers, rather than to challenge them?

Sir Bob Kerlake: I am saying that there are three principal roles: to advise, to challenge and then to implement.

Q122 Fiona Mactaggart: Is the clarity of purpose, which the Report highlights so well, one of the problems in getting reform working?

Sir Bob Kerlake: I don't think so. It is very clear that civil servants do advise and challenge, but when a decision is made, they have to implement. We have to be as good at implementation as we are at advice.

Q123 Chair: So do you believe you can distinguish between policy and implementation?

Sir Bob Kerlake: I think we can distinguish between them, but they are absolutely interlocked in the way we do business.

Q124 Chair: So do you think the accountability structure should be different?

Sir Bob Kerlake: In what sense?

Chair: Well, I think I accept that you can distinguish between them but that they are interconnected. Do you therefore think that for implementation, which is another interest we have as a Committee, once you have signed something off and said that it is doable, rather than writing a letter of direction to your Ministers, you are then responsible to us, both collectively and individually through you as SROs?

Sir Bob Kerlake: We are absolutely responsible through Ministers on delivery.

Q125 Chair: No, are you responsible to us for implementation?

Sir Bob Kerlake: We are accountable to you as accounting officers, and we are responsible through Ministers for delivery. That is a clear position. Where it is not so straightforward is that, clearly, if projects lived in an entirely fixed policy environment, you could absolutely isolate the implementation, but the reality is that it is rarely like that. There is always interplay between the two in the implementation of a project. So it is always going to be a bit about Ministers and a bit about the officials, none of which is to say that, if officials agree to a project, they take responsibility for delivery.

Q126 Chair: Okay. The final thing is that we have the Cabinet Office and the Treasury here, which are the two drivers. You do strategy, and the Treasury is supposed to do the finance function. This Committee frequently criticises the Treasury for failing to use its finance function, and of the Cabinet Office we would probably say that you depend on collaboration. You can encourage, but you cannot instruct; you can show by example, but you cannot insist. In that context, with a very weak finance function and a very weak strategic function, what hope is there for civil service reform?

Sir Bob Kerlake: I have already rehearsed this question. First of all, there is very clear leadership through the Minister for the Cabinet Office, Francis Maude. He is a very powerful driver of the agenda.

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Q127 Chair: Sir Bob, you can't depend on an individual; even he will come and go.

Sir Bob Kerlake: I am not suggesting that we should. My second point is that we have clear leadership of the reform agenda through a civil service board and through individual implementation boards, all of which are held to account through a board that is chaired by the Minister and that includes other people. My third point is that each Permanent Secretary has objectives for the year, which include their responsibilities for delivery of the reform plan. They are held to account by myself and Jeremy Heywood for delivery. I think that that is quite a powerful set of things.

Q128 Chair: From our perspective, we get really frustrated. Let me just take the DECC example of letting this contract—it was actually billions—for the transmission of energy from offshore wind farms. Because you have such a weak finance function and such a weak strategic function, there was no mechanism in place to enable DECC to learn the lessons of what had gone wrong with PFI: it just wasn't there. As long as you retain silo decision making and silo accountabilities, without your ability whether from finance or strategy to insist that people change, you will never ever get the level of improvement in performance that those of us around this table want.

Sir Bob Kerlake: Where I would go with you on this is that there is a question about how strong the so-called corporate functions are, whether they are contracts, finance, HR or programme management. Yes, that is something that we need to look at and potentially strengthen.

Lord Browne: The NEDs, uniformly, would like to see professional functions controlled from a centre somewhere, so finance being strong, tough and with the right to veto appointments and to set standards, as well as IT, HR—there are probably half a dozen of them, but I do not want to give a list. The point is that this is about professionalising in the profession—about having teeth and strength to get things done, to learn lessons and to implement them.

Sir Bob Kerlake: I would not disagree with that view; that is really what I am saying.

Chair: Very finally, Austin, Stephen and then we will close.

Q129 Austin Mitchell: I am glad you said that. I do not want to give the impression that I am against civil service reform, because I am in favour, as long as it does not mean firing civil servants—that would be my problem—and, too often, it does mean that. I am in favour of regular brushing of teeth as well.

I have just been watching the new series of “Yes, Minister”, which is on Dave. It is still written by Antony Jay and still based on the perceptions of the balance between Ministers and civil service. In the 1960s, as in Crossman's diaries probably, the civil servant was a first-class mind who would otherwise have become a fellow of All Souls; civil servants, with effortless superiority, effectively pushed, persuaded and bullied Ministers—bumbling Ministers, too—into the policies they wanted. I do not

think that that is the case today, but what will they be in the new version of “Yes, Minister” written in 2020 after civil service reform? Will the Minister be confronted by a zoot-suited smart Alec who is a fixer, a wheeler-dealer and better off in business, or will we still be having the first-class minds?

Sir Bob Kerlake: I share your views about it being rather dated, except possibly for the first-class minds of the civil service. I have been on record as saying that I am more of a “The Thick of It” fan, I have to say. I don't know; I need more time to give you what the programme will look like in 2020. I do not want to volunteer that now.

Q130 Stephen Barclay: Lord Browne, may I take you back to the comment you made about the controls for projects below the major projects and the importance of the quantum of those projects? Given that this is an area where recommendations have been made repeatedly and yet change has not always followed, could you comment on how we might put controls in place below major projects, which would not be pushed aside by the autonomy of individual Departments?

Lord Browne: I think that what happens for big projects should happen for small projects. The withholding of funding should take place on a more aggregate basis, so there is a limited amount of autonomy. I would need to think exactly how to work that out, but in my experience, the moment you get in the process the fact that you can withhold funding and the fact that you have audited what has gone on, most people will comply.

Q131 Stephen Barclay: But the Major Projects Authority does not have the power to withhold funding itself.

Lord Browne: No, it does not. It has to be a joint Treasury—

Sir Bob Kerlake: It is a Treasury decision.

Q132 Stephen Barclay: If that power is in place for the major projects for the MPA and given that the report says that, “The centre of government has yet to perform effectively in its corporate role”—the Cabinet and the Treasury have tended to operate separately—what things, in your view, should we as a Committee look to have in place to deliver that in 12 months' time?

Lord Browne: I think I would go through the recommendations I had made and see if they were genuinely, not just accepted, but implemented. One of those is to have whoever does major projects, the authority and the Treasury linked at the hip. They have to be absolutely linked.

Chair: And Meg, very finally.

Q133 Meg Hillier: Going back to the point about the cost of recruitment and the salaries of the high-end people, can you give us a breakdown of how many civil servants across Government earn more than the Prime Minister and their recruitment times? I know that in your own Department, Sir Bob, the DCLG has been very clear to local government about limits on

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expenditure. We know that the Treasury has to sign off all appointments above that level.

Sir Bob Kerslake: Yes, they do. We can give you that.

Q134 Meg Hillier: Perhaps there is a trend in it—perhaps for the year just finished and the year before that. On the one hand, you are trying to specialise, so

we recognise that there may be a need for it, but on the other hand, there is pay restraint. It would be interesting to see.

Sir Bob Kerslake: We will show you the figures.

Chair: Thank you, very much. Apologies to Katherine; I have just realised that we have not heard from you. Thank you.

Written evidence from the Cabinet Office

I agreed to write to you following my appearance in front of the Committee alongside Lord Browne of Madingley, Stephen Kelly and Katherine Kerswell on 15 April to discuss the implementation arrangements and key risks and challenges for the Civil Service Reform Plan. I have agreed that Stephen Kelly will write in parallel with some specific points on ERG's agenda.

You will recall that there was a fair amount of discussion at the Committee hearing about Government's oversight of major projects following the publication of Lord Browne's recent review. I wanted to start by saying that the Minister for the Cabinet Office and the Chief Secretary to the Treasury both recognise Lord Browne's findings on the governance of Government Major Projects. The MPA's assurance reviews, which include a mandated early Starting Gate review for all major new initiatives, already support Treasury scrutiny and financial approvals, where the Treasury has the power to stop the project from proceeding. We can and will do more to ensure that experts, including Ministers, in the centre properly scrutinise and engage with projects at an earlier stage in their development. I aim to provide the Committee with further details on new oversight arrangements shortly. Stephen will also be setting out the return on investment figures in relation to the Major Projects Authority as a whole.

We also discussed the recent failures over West Coast Mainline, and whether there was a widespread problem with Government's capability to contract. I agree with you, and said at the hearing, that this is an area that we must improve on, but I wanted to set the record straight and give you some examples of where departments, including the Department for Transport, have successfully commissioned services from the private sector.

- A new 10 year contract for Search and Rescue service was signed last month for £1.6 billion (£1.5 billion below the cost ceiling). Coverage of the service around the country will be better than it is now (85% of areas reached in 30 mins as opposed to 70% now). The service is expected to attend over 2,000 incidents annually yet will need to prevent just 84 fatalities each year to deliver benefits greater than the cost of the new contract.
- The Intercity Express Programme will deliver nearly 600 new vehicles for £4.9 billion. It is on time and on budget. Hitachi has informed the Department for Transport that their planned assembly plant in Newton Aycliffe will create 730 jobs in the North East plus 200 in the construction phase. The contract was signed in July 2012 with the first train entering service in 2017.
- A framework contract for up to 10 years to deliver DVLA's "face to face" services through the Post Office. Completed successfully within 12 months. Allows wider DVLA transformation and contributes to the closure of 39 regional offices. The contract will save the Agency in the region of £19 million pa. Potential for further savings across Government as the framework is utilised.

I'm also pleased to set out a number of other examples of successful commissioning across Government (see *Annex A*).

I promised to come back to the Committee on a number of other points from the session. Stephen Barclay asked whether I could confirm how many Cabinet sub-committees there have been over the last 12 months. As you may be aware, it has been the practice of successive administrations not to reveal the number and frequency of meetings of Cabinet Committees and sub-Committees.

Meg Hillier asked to see the turnover of different professional groups and for the number of Civil Servants who are paid a salary above that of the Prime Minister. This is set out at *Annex B*.

Stephen Barclay asked for departmental unit cost data in line with the Treasury mandate. As the NAO report noted, the Treasury has not issued instructions departments about generating unit cost data. However, the Government does already publish unit cost data as part of the information provided through Departmental Business Plans and can be found on the Number 10 website: <http://transparency.number10.gov.uk/>. The formal Government response to *Managing budgeting in Government* NAO report is the 34th PAC report (with the same title) and will be published on Thursday 9 May 2013.

Finally, the Committee were concerned by the apparent assertion by Philip Rutnam, Permanent Secretary at the Department for Transport, that the inability to hire consultants was a significant contributory factor to the failure of WCML. Stephen will address this point in more detail in his note. However, I have checked the

record, and with Philip, and agree with him that a combination of factors led to the failures of the WCML programme. What Philip said, and with which I agree, was that the environment in relation to using external advisers after the election was to minimise their use as far as possible, rather than that no consultancy expertise could be used at all. Philip's honest assessment is that the Department had an overly optimistic view of its own capacity to do the kind of complex financial analysis required on this transaction. I share this assessment—I hope that the work that IUK will be leading across key departments to develop a clear picture of their commercial capabilities and their capability gaps will begin to address something which is clearly quite a significant problem across Government.

Sir Bob Kerlake

2 May 2013

Annex A

- In the Department of Health, the Health and Care Transition Programme successfully established the major new components of the new health and care system and abolished 10 Strategic Health Authorities and 151 Primary Care Trusts. Redundancies were minimised through a co-ordinated staff transition process resulting in around £199 million less than redundancy costs than forecast. This affected 45,000 staff and over 400 organisations across the healthcare providers.
- In the Department for Education, the current Teachers' Pension Scheme contract was awarded March 2011 for seven years with a value of £89 million, and requires delivery of service to 1.6 million scheme members, 5,500 employers and managing income and expenditure of £12 billion per annum. The administration contract is now in its third contract term, with each term achieving financial efficiencies and service improvements associated with outsourcing. Contract remains competitively priced on a cost per member basis compared to other public and private sector pension administrations.
- The Ministry of Defence successfully invested £340 million since 2010 in a fleet of new Foxhound protected patrol vehicles that will eventually number 376 in total. This is a procurement success story, having taken only 40 months to develop from initial design, through to initial deployment in Afghanistan in June 2011. Foxhound has performed well on operations and provides a significant step forward in capability in areas such as off-road mobility, enhanced protection and night-vision systems.
- The Ministry of Defence awarded contract extensions worth £349 million in February 2013 to five UK companies for the delivery of global maintenance to the Royal Fleet Auxiliary (RFA). The contracts will also deliver enhanced performance and value for money; in the last four years under the agreements, availability of ships has increased from 81% in 2008 to 95% in 2012 and has shown zero cost growth against the original approval.
- In July 2012, the Home Office successfully tendered and implemented the new, four year, National Forensic Procurement Framework (NFFNG), which provides forensic laboratory services for police forces and other law enforcement agencies in England and Wales. The tender process ran to schedule despite the extensive and complex technical requirements of the police forces. The expected annual spend under the NFFNG will be £70–80 million, with projected savings between 5%–15%.
- A four year office supplies contract worth over £200 million commenced in September 2011 and is used by all Central Government Departments. Government Departments now pay the same price for items such as pens and paper, bringing to an end the days where Departments paid different prices for the same core items. Savings of over £20 million have been delivered thus far and the number of Office Supplies items has been rationalised from 15,000 to 3,500 and will be reduced further and generate more savings for the taxpayer.

Annex B

SCS TURNOVER BY PROFESSION OF POST 2011/12

<i>MAIN DEPARTMENT</i>	<i>TURNOVER RATE</i>
COMMUNICATIONS AND MARKETING	40%
ECONOMICS	15%
FINANCE	11%
HUMAN RESOURCES	12%
INFORMATION TECHNOLOGY	18%
INSPECTOR OF EDUCATION AND TRAINING	42%
INTERNAL AUDIT	27%
KNOWLEDGE AND INFORMATION MANAGEMENT	14%
LAW	12%
MEDICINE	13%
OPERATIONAL DELIVERY	21%
OPERATIONAL RESEARCH	35%

<i>MAIN DEPARTMENT</i>	<i>TURNOVER RATE</i>
OTHER	15%
PLANNING	14%
POLICY DELIVERY	16%
PROCUREMENT AND CONTRACT MANAGEMENT	21%
PROGRAMME & PROJECT MANAGEMENT	17%
PROPERTY ASSET MANAGEMENT	20%
SCIENCE & ENGINEERING	19%
SOCIAL AND MARKET RESEARCH	40%
STATISTICS	18%
TAX PROFESSIONALS	13%
VETERINARIAN	0%

Turnover figures are defined as Senior Civil Servants exiting the Senior Civil Service only. Leavers include paid exits, retirements, resignations, end of temporary promotions to the SCS, End of Contracts, Deaths and Dismissals. They do not include internal SCS movements eg Transfers and Loans to other Civil Service departments at SCS level.

The calculation is SCS Leavers during the year (by Profession) divided by the average number of SCS (by Profession) during the year.

The number of civil servants earning more than the PM for the last two years.

CIVIL SERVANTS EARNING IN EXCESS OF £142,50	
<i>Date</i>	<i>Number of civil servants</i>
31 March 2009	168
31 March 2010	178
31 March 2011	146
31 March 2012	126
31 March 2013	not available until late 2013

The number of Civil Servants earning more than £142,500 has fallen from a high of 178 as at end of March 2010 to 126 as at end of March 2012. This is a reduction of 52 (29%) over the period.

Supplementary written evidence from the Cabinet Office

Thank you for inviting me to give evidence on Civil Service Reform at the hearing on Monday 15 April 2013.

During the hearing the Committee asked a number of questions relating to the Major Projects Authority, IT/Digital savings and HMG Controls, which are answered below in more detail. Sir Bob Kerslake responded separately yesterday on some of the other questions posed.

MAJOR PROJECTS AUTHORITY

The Committee requested further information about the savings forecasted for the MPA for 2012–13 and its resourcing. Subject to internal scrutiny and external assurance, 2012–13 savings are expected to be in the range £900 million to £1 billion. Based on the mid-point of the savings range, savings per head in MPA are £22.5 million. (Q59–60). This is based on a point in time headcount of 42 (39.4 FTEs), although this currently includes several unfilled vacancies. The operating cost of MPA in 2012–13 was £2.7 million.

The Committee asked about actions being taken to give MPA more “teeth”. A workshop involving officials from CO, HMT, IUK and MPA was held on 16 April to agree an approach to implementing Lord Browne’s recommendations for a strengthened MPA. Collectively, we will work towards early project validation testing and improving the link between funding approval and findings from project reviews. We will look to strengthen the Major Projects Review Group, which provides scrutiny on Government’s most high risk projects and challenges on affordability, deliverability and value for money at key points in a project’s lifecycle, to allow it greater authority to enforce its recommendations, including an escalation route to ministers where necessary. The quality and influence of reviews which inform MPRG will be enhanced by the use of industry experts with extensive domain knowledge.

The Committee also requested further information on projects overseen by the MPA.

The Committee asked:

How many projects have been closed down by the MPA? (Q67)

Since it was set up in April 2011, the Major Projects Authority has acted to stop two failing projects—the National Programme for IT and FiReControl programmes.

How many MPA projects were red or amber red? (Q67)

Later this month the government will release for the first time the list of the government's major projects and aggregate data on the MPA RAG ratings, alongside further specific performance information on individual projects and action taken by departments. The data will be six months in arrears and represent information at Q2 2012–13. It will be published every 12 months thereafter.

What is the average length of a major project since 2010, and to what extent has it changed? (Q65)

Appendix 1 compares start and end dates for projects in Q1 2012–13 (when MPA started requesting this information) to our most recent completed dataset—Q3 for 2012–13. This shows a small increase in average project length across the departmental portfolio. Of 185 projects currently on the portfolio, 136 have a duration of three years or more. This should not automatically be seen as a reflection of poor project performance. The timescales should be a realistic reflection of ensuring the eventual delivery of benefits. Through assurance MPA ensure thorough planning is being done upfront and the temperature of the project is continually being taken. MPA will seek to minimise the length as required. We can and will recommend closure at the appropriate point.

What Departments have projects on MPA's list?

All central government departments as well as NS&I and ONS have projects on the GMPP. The Government will publish a full list of GMPP projects at Q2 2012–13 in the MPA Annual Report in May.

IT/DIGITAL SAVINGS

The Committee asked for more information regarding the Government's approach to using technology and savings from IT development. (Q110–111)

The Government Digital Strategy was published on 6th November 2012. This sets out how government will redesign its digital services to make them so straightforward and convenient that all those who can use them will choose to do so, whilst those who cannot are not excluded. Government believes that there are many advantages in making public services Digital by Default for service users, for Government and for the taxpayer. GOV.UK was launched on 17 October 2012 and brings government information and services under a single domain that has been designed around user needs. It makes interactions and transactions easier for citizens and businesses without offering less of a service and at the same time offering better value for taxpayers.

Moving from the more traditional delivery channels (usually by post or face-to-face) to digital channels offers the opportunity to make services easier to use, faster, and considerably more efficient and cost effective.

The Committee was promised exemplars of how departments are introducing digital technology and online services that dramatically improve engagement. The top 50 of government's 650 services account for 90% by volume of transaction with government. Departments set out which services they would transform in their digital strategies, with 23 of these top 50 services to be radically redesigned as exemplars of end-to-end digital services, plus two special projects (see Appendix 2).

- The alpha (early test version) of the Office for the Public Guardian's Lasting Power of Attorney services, or "living will", requires users to provide 74% less information than the current paper version.
- The Student Loans Company alpha had dramatically better customer satisfaction in testing than the existing service, with a rate of 81% satisfaction, compared with 61.4% dissatisfaction previously.

Savings are likely to come from four key areas:

- The reduced staff time involved in processing digital transactions compared to offline alternatives;
- Estates and accommodation;
- Postage, packaging and materials;
- The costs of supporting IT systems.

The Government's Digital and ICT Services and Projects have saved over £249 million in financial year 2011–12 consisting of:

- £60 million from telecommunications spend by developing Common Infrastructure Programme;
- £40 million in stopped spend by applying scrutiny to ICT and Digital services;
- over £140 million reduction of planned expenditure on approved projects by scrutinising ICT business cases.

The savings for financial year 2012–13 are expected to be significantly larger than in 2011–12. For example, at least £35 million has been saved by building the award winning GOV.UK with over six million visitors a week, and closing down more expensive websites.

The Committee in particular asked for IT savings by department. As intimated in my response to Q109, we are still working on closing out year end figures for 2012–13. These figures will be available over the next six weeks and will break out by department the savings that have been achieved. In some cases, as Mr Barclay notes, these will relate to stopping low value spend, in others to reforms that allow departments to deliver more for less. We will publish with our figure work a clear account of how the savings have been achieved; however we do not routinely categorise our savings in precisely the manner that Mr Barclay set out.

These data will be made publicly available at an aggregate level and we will be happy to share the departmental breakdown with PAC committee members. However please note that these numbers will not have been agreed with departments at a granular level. The Departmental Engagement Team is focusing on agreeing SR13 savings estimates by the end of June 2013.

HMG CONTROLS—WEST COAST MAIN LINE

The Cabinet Office did not reject any requests from the Department for Transport for consultancy to support the West Coast Main Line re-franchise. (Q105)

In the records the Government Procurement Service has retained since April 2011, there is only one submission directly referring to the West Coast re-franchise. This was a request to tender for procuring finance consultancy to assist DfT through the process of re-tendering all 11 rail franchises. This request was approved by the CO.

Government policy is that departments are able to use consultants where it is demonstrated there is a clear and compelling business case to do so. Whilst the controls exist to reduce unnecessary expenditure, the control process regularly approves consultancy engagements where the requirement and the value for money of the proposal are demonstrated.

Departments are required to submit consultancy engagements for CO approval where:

- The requirement is for procurement related consultancy with a value in excess of £20,000;
- The requirement is for any other type of consultancy, with a tenure exceeding nine months and over £20k in value;
- The requirement is to extend an existing contract, which is either currently or will as a result of the extension, exceed nine months tenure;

Below these thresholds, the Department itself is responsible for approving expenditure on consultants; and the CO expects each Department to have a rigorous process in place for scrutinising its own spend.

Stephen Kelly
Chief Operating Officer, UK Government

2 May 2013

Appendix 1

AN ANALYSIS OF THE LENGTH OF PROJECTS, BY DEPARTMENT, AT Q1 AND Q3 2012–13

MPA only started requesting start and end dates for projects in Q1 2012–13. This is compared to our most recent complete data—Q3 2012–13. The below data show the longest and shortest projects by department for the respective quarter, the average length by department, and data overall.

<i>Dept</i>	<i>Q1 2012–13</i>			<i>Dept</i>	<i>Q3 2012–13</i>		
	<i>Long (yrs)</i>	<i>Short (yrs)</i>	<i>Ave (yrs)</i>		<i>Long (yrs)</i>	<i>Short (yrs)</i>	<i>Ave (yrs)</i>
BIS	11.26	1.99	4.35	BIS	11.26	1.99	4.15
CO	5.84	3.25	4.04	CO	5.84	3.25	4.04
DCLG	4.02	0.00	1.91	DCLG	4.02	1.34	2.27
DCMS	6.01	2.76	4.17	DCMS	6.01	2.76	4.17
DECC	98.92	2.25	20.94	DECC	98.92	2.25	22.19
DEFRA	14.01	3.25	7.90	DEFRA	14.01	4.16	10.23
DFE	33.06	5.98	19.52	DFE	33.06	5.98	19.52
DFiD	21.81	21.81	21.81	DFiD	21.81	21.81	21.81
DFT	22.85	0.92	6.58	DFT	22.85	0.92	8.38
DOH	12.34	1.50	6.29	DOH	12.34	1.50	6.48
DWP	10.06	0.42	3.61	DWP	11.46	0.42	3.72
FCO	10.42	2.92	5.03	FCO	10.42	2.92	5.50
HMRC	4.50	1.25	3.10	HMRC	4.50	1.25	3.10
HO	14.01	0.96	4.72	HO	14.01	1.00	4.63

<i>Dept</i>	<i>Q1 2012-13</i>			<i>Dept</i>	<i>Q3 2012-13</i>		
	<i>Long (yrs)</i>	<i>Short (yrs)</i>	<i>Ave (yrs)</i>		<i>Long (yrs)</i>	<i>Short (yrs)</i>	<i>Ave (yrs)</i>
MOD	48.53	3.84	18.07	MOD	48.53	2.75	17.86
MOJ	13.01	0.37	3.72	MOJ	5.82	1.37	3.55
Other	11.59	2.00	6.11	Other	11.59	1.99	5.66
Overall	98.92	0.37	8.60	Overall	98.92	0.42	9.12

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