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Committee of Public Accounts

Managing government spending and performance

Twenty-seventh Report of Session 2016–17

*Report, together with formal minutes relating
to the report*

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The Committee of Public Accounts

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Committee staff

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Summary

There has been some progress in the way that government plans and manages business across departments. However, there is not yet an adequate approach in place to support achievement of government objectives and safeguard value for money across government. Significant improvement is needed to address the deep-seated problems that prevent government measuring performance and linking outcomes to funding—which is ultimately taxpayers' money.

Increasingly, government is facing issues which can only be tackled effectively by a cross-government response, but the current approach to planning and management does not encourage such joined up working. Government also needs to be flexible and agile to respond to changing priorities, particularly the challenge of Brexit; but the current approach is too often slow to respond and encourages government to simply add to its list of activities without effective prioritisation. The so-called 'Single Departmental Plans' (SDPs) are an important step forward, but their effectiveness has not yet been tested, and government acknowledges that they need further development—particularly on planning across departments and down into delivery chains. Improving the approach to business planning and management will require commitment and collaboration across the whole of government to standardise quality and ensure consistency. This must be a joint priority for HM Treasury and the Cabinet Office. They must also ensure that the work improves the information that Parliament and the public can access to understand government's plans and to see how it is performing.

Introduction

HM Treasury carries out spending reviews to allocate funding across the Government's priorities, and set clear limits on departmental spending. Spending reviews are also one of the main ways for HM Treasury to work with departments to set the Government's overall strategy. The Spending Review 2015 allocated almost £2 trillion in departmental spending, and another £2 trillion in welfare and benefit payments, over five years. It was a significant logistical exercise, involving a wide range of teams across HM Treasury, departments and other stakeholders. Government started working on a new business planning and performance management system soon after the 2015 election. In July 2015 departments were asked by the Cabinet Office to set out 'Single Departmental Plans' (SDPs) to 2020, covering formal reporting on key government priorities, cross-cutting goals which span more than one department, and the day-to-day business of departments. The Treasury and the Cabinet Office originally set out to integrate the development of SDPs with the Spending Review 2015, though in practice the detailed SDP planning happened after the Spending Review had been finalised in November 2015.

Conclusions

- 1. Government has made some progress in the way it plans and manages its business.** But much more work is needed before the system can ensure long-term value for money at a cross-government level. Government has taken an important step forward in developing Single Departmental Plans, the first time it has attempted to bring together all of a department's activities and commitments into one document. HM Treasury has increased early engagement with departments on the Spending Review, to get their input into the process and to better understand their models and forecasts. However, we have yet to see how Single Departmental Plans will integrate with existing processes such as the Spending Review to form a coherent and enduring approach which can support value for money decisions over the whole of government and into the longer term. These processes also need to develop significantly if they are to tackle the issues HM Treasury itself has identified: intelligent management of performance; linking the work of arm's-length bodies to their sponsoring department; dealing with issues that cut across departmental responsibilities; and improving transparency.
- 2. Government makes plans with a poor understanding of current performance, of the outcomes it is seeking, and of the link between outcomes and associated funding.** The Government has struggled for many years to make significant progress with joining up spending, objectives and performance. HM Treasury's Financial Management Review in 2013 planned various initiatives for costing and understanding the value of service delivery, but these were not ready for the 2015 Spending Review, and are still under development now. While the SDPs represent an improvement in ambition, there is still a long way to go before either the Government or the taxpayer can see what money has been spent on a given objective and what value has been delivered. Information is spread across a number of different documents, including SDPs, Annual Reports, and Supply Estimates, which are all prepared on different bases and cannot usefully be combined. We accept that bringing this together is a significant challenge, but it is a crucial one for government to prioritise.
- 3. Many of government's key objectives cut across more than one department and involve multiple organisations delivering services.** But, while we recognise there are some positive examples, there is not enough joined-up planning across government. The Government has shown its commitment to working across organisational boundaries by setting up Cabinet Implementation Taskforces to monitor and drive delivery of cross-cutting priorities such as housing and digital inclusion. But these taskforces have not yet had an impact in actual planning and performance monitoring. We have seen a number of examples where expenditure in one area would lead to savings in others, for example on mental health, but in our experience the Government's approach to planning and management does not encourage a joined up response. We heard of a number of examples of departments working together, for example the Departments for Education and for Business Innovation and Skills had set up a joint unit on apprenticeships. But these working practices rarely led to formal funding or accountability arrangements, and only two formal joint bids were received by HM Treasury as part of the 2015 Spending Review. Within departmental groups, a quarter of arm's-length bodies surveyed

by the NAO were at best only partially clear about their sponsor department's objectives, which indicates additional weaknesses in joined-up planning through the delivery chain. We recognise that accountability structures are currently based around separate departments, rather than reflecting the evolving ways in which government is actually working, but there are some good practice examples which show this need not be a barrier to working together.

4. **We are yet to be convinced that SDPs will be able to deal with significant changes in priorities within and beyond this Parliament (for example Brexit).** We welcome the Treasury's agreement that the centre of government should aim "to devise a system which is so useful and so valuable in planning public spending that it's completely robust to any change of government and can accommodate changes of policy priorities within that". However with SDPs still in their infancy we have yet to see this happen in action. Brexit will be a good test of whether the approach is fit for purpose in allowing government to assess its priorities and make changes to objectives and the related funding as needed. SDPs must be living documents that allow government as a whole to respond realistically to changes when they arise, including if necessary dropping objectives. They must also support a view of outcomes over a longer term than just this Parliament. We recognise that fully taking into account the implications of Brexit will take some time. However, it is not encouraging that SDPs have not yet been updated to show basic information such as new ministers, let alone to reflect all the recent changes in departmental responsibilities, such as the creation of the Departments for Business, Energy & Industrial Strategy and International Trade, or to set out changes in plans as a result of Brexit.
5. **There is significant variation in the maturity of planning across individual government departments, and no shared approach to encourage continuous improvement.** HM Treasury was clear that it would use the quality of a department's SDP as an indicator of that department's competence in planning. The Cabinet Office pointed to some examples of good practice, such as HM Revenue & Customs' work on integration of performance information systems across the department. However, the Cabinet Office itself accepts that there is more to be done across government "to understand what planning means". We are concerned that without a concerted and co-ordinated effort, government will only be able to move forward at the pace of the slowest department. Neither the Treasury nor the Cabinet Office, when challenged, could provide a single example of where a department had dropped or changed a commitment as a result of the supposedly improved planning processes and overview provided by SDPs: suggesting that prioritisation remains a real challenge for government.
6. **The SDPs do not enable taxpayers or Parliament to understand government's plans and how it is performing, and therefore have not enhanced their ability to hold government to account for its spending.** Good quality information on performance and spending by objective is one of the essentials of accountability, but has been a longstanding area of weakness for government and a serious concern to this Committee. The SDPs were published with a commitment that they would "bring together inputs (especially funding) with outputs" but seven out of seventeen departments do not publicly assign any budgets to their objectives.

They are also supposed to “enable the public to see how government is delivering on its commitments”, but there are significant areas within some objectives where no indicators to measure progress are published. We are concerned that while the internal plans have more detail, this detail is not available to taxpayers or Parliament. HM Treasury agreed that it needed to improve public reporting. However there is a considerable way to go before the taxpayer will be able to see in detail what their money is being spent on and how well it is being spent.

Recommendations

7. As HM Treasury and the Cabinet Office recognise, improving planning and performance across government is a key priority, but one which involves many challenges and will not be easily resolved. Our recommendations to help address these challenges are as follows:

- a) HM Treasury and the Cabinet Office, working together, should now set out a vision of how the overall approach to how government plans and manages its business will ensure value for money across government, and a plan for how they will get to that state at least in time for the next Spending Review. This should include:
 - i) how individual processes, including spending reviews and SDPs, will be integrated to improve government's ability to deliver value for money, underpinned by rapid progress with the Financial Management Review;
 - ii) how both government and taxpayers can use all the different public information (including the Spending Review, SDPs, Annual Reports, and Estimates) as a package, to see what government is planning, how much it is spending, and what it is achieving, against a consistent set of objectives which cover both the implementation of new policies and programmes and "business as usual";
 - iii) how the quality of planning and management in different departments will be brought up to a consistently high standard; and
 - iv) how the approach can accommodate both the long-term view needed for many government projects and programmes, and the flexibility needed to meet any new administration's shorter-term commitments.
- b) HM Treasury and the Cabinet Office should work with departments on practical ways to improve joined-up planning across government, to bring planning and delivery out of the confines of departmental boundaries.
- c) HM Treasury and the Cabinet Office should regularly report on how the Cabinet Implementation Taskforces are improving delivery.
- d) HM Treasury and the Cabinet Office, and all departments, should make sure that SDPs are kept "live" and are central to any discussions about reprioritisation and related funding decisions. Departments should update published SDPs to reflect recent changes in responsibilities and priorities by the end of the 2016–17 financial year at the latest.
- e) For the benefit of both Parliament and the public, departments should publish the same up to date information about performance that they use for monitoring themselves, subject to any national security or similar essential restrictions. There should be regular public reporting of government's performance, at least twice yearly, to adequately provide the transparency on performance that was lost when the mid-year reporting to Parliament was dropped.

1 The new approach

1. On the basis of two reports by the Comptroller and Auditor General, we took evidence from HM Treasury and the Cabinet Office.¹ The previous Committee of Public Accounts reported on government's business planning and performance management in 2011, and on its allocation of funding and management of budgets in 2013.² This report examines how well these two sets of processes come together to support government's ability to achieve value for money.

2. Spending reviews are key fiscal events used to allocate funding to departments. They should act as both a spending control, setting budgetary limits on departments, and as a way of prioritising spending decisions to maximise value for money. The Spending Review 2015 allocated almost £2 trillion in departmental spending, and another £2 trillion in welfare and benefits payments, over five years. This included targeted spending cuts across government of £21.5 billion. It was a significant logistical exercise, involving a wide range of teams across HM Treasury, departments and other stakeholders.³

3. Government started working on a new business planning and performance management system soon after the 2015 election. In July 2015 Departments were asked to develop Single Departmental Plans (SDPs) to 2020. High-level summary versions of the 17 departments' SDPs, were published in February 2016.⁴

Direction of travel

4. Spending Reviews are a well-established part of the fiscal landscape. The first Spending Review was held in 1998 and while the scope has expanded to cover more types of funding and longer timeframes, the fundamental form remains the same. HM Treasury has continued to make improvements, especially on engagement with departments, both in terms of the process itself, and engagement outside the formal 18-week period to build up an early understanding of departmental forecasts and models. But the pace and scale of improvement has been limited.⁵

5. By contrast, the history of business planning and performance management systems is one of a series of initiatives which have not lasted longer than the government that created them.⁶ Specific measures on service standards were first brought together in the Citizen's Charter in 1991. In 1998 the Charter was scrapped in favour of Public Service Agreements (PSAs) which covered all major areas of government. In 2010, the incoming coalition government set up a series of input and impact indicators, published in individual departmental Business Plans. However, by 2015, they had fallen into disuse and there was no up-to-date, consistent information across government on what departments were doing and what they were achieving.⁷ HM Treasury and Cabinet Office said they now shared

1 C&AG's report, [Spending Review 2015](#), Session 2016–17, HC 571, 19 July 2016; and C&AG's report, [Government's management of its performance: progress with single departmental plans](#), Session 2016–17, HC 872, 19 July 2016.

2 Committee of Public Accounts, [Departmental Business Planning](#), Thirty-seventh Report of Session 2010–12, HC 650, May 2011; and Committee of Public Accounts, [Managing Budgeting in Government](#), Thirty-fourth Report of Session 2012–13, HC 661, March 2013.

3 C&AG's report on [Spending Review 2015](#), paras 3, 10.

4 C&AG's report on [Single Departmental Plans](#), para 5

5 C&AG's report on [Spending Review 2015](#), para 9.

6 C&AG's report on [Single Departmental Plans](#), para 2.27

7 C&AG's report on [Single Departmental Plans](#), paras 1.12–1.16.

an ambition to “devise a system which is so useful and so valuable in planning public spending that it’s completely robust to any change of Government and can accommodate changes of policy priorities within that”.⁸

6. The development of SDPs in 2015 therefore started from a poor base, but the aims government set for the SDPs, if realised, would represent an important step forward. When they were developed the key aims included: “to describe our objectives for this Parliament”, “enable the public to see how government is delivering on its commitments” and “bring together inputs (especially funding) with outputs”.⁹ The detailed internal SDPs are intended to be a business plan for departments.¹⁰ HM Treasury and the Cabinet Office set out a shared vision of where SDPs would develop in future: bringing the monitoring of performance and spending closer together to understand value for money; setting out clearer links between departments and their arm’s-length bodies; making performance monitoring cross-cutting; and enhancing transparency. However, they acknowledged it is still very early days and SDPs are “in their first iteration”.¹¹

7. SDPs were intended to be developed for the first time alongside the Spending Review 2015, but in practice the detailed planning only happened after the Spending Review had been finalised in November 2015.¹² HM Treasury and the Cabinet Office were clear that they were determined to stick with the SDP approach for the long term and that the aim was to fully join up the planning and spending processes.¹³ They also acknowledged that there were definite improvements to be made, and agreed with the direction of travel that the NAO had described in its report.¹⁴

Understanding cost and value

8. We and the previous Committee have made repeated calls for government to develop an approach which links funding to outcomes.¹⁵ Our inquiries have shown time and again that government does not have the combined information on spending and performance to understand whether it is delivering value for taxpayers’ money. HM Treasury and the Cabinet Office were clear that they accepted joint responsibility for overall value for money across government: “Cabinet Office... take the lead on performance, and we [HM Treasury] take the lead on finance”.¹⁶ They also agreed that value for money should be an important basis for Spending Review decisions.¹⁷

8 [Q 92](#)

9 [C&AG’s report on Single Departmental Plans](#), Figure 11.

10 [Q 68](#)

11 [Qq 36, 38, 63](#)

12 [Qq 39, 91](#)

13 [Qq 44, 68](#)

14 [Qq 38, 62](#)

15 For example, in 2011, the previous Committee noted: “The Committee’s role is to hold the government to account for the stewardship of all public funds and assets and the achievement of propriety and value for money in government spending...we expect sufficient information to enable us to hold departments to account on costs, outcomes and value for money on both the coalition agreement and across all of a department’s work” —Committee of Public Accounts, [Departmental Business Planning](#), Thirty-seventh Report of Session 2010–2012, HC 650, May 2011, p. 4. In 2016 we noted “Accounting Officers (AOs) across government lack the cost and performance data they need for effective oversight.” —Committee of Public Accounts, [Accountability to Parliament for taxpayers’ money](#), Thirty-ninth Report of Session 2015–16, HC 732, April 2016, p. 5.

16 [Q 98](#)

17 [Q 72](#)

9. Government has been promising progress on this for some time. As part of the Financial Management Review, HM Treasury has been working since 2013 on additional tools on costing and understanding the value of service delivery which the HM Treasury Permanent Secretary described as “central to our mission”.¹⁸ The original plan was for these tools to be rolled out to all departments in 2015. However, both HM Treasury and departments acknowledge that the tools were not detailed enough and not completed consistently across departments to be of use in the 2015 Spending Review.¹⁹ HM Treasury said the tools would help provide the next Spending Review with “a much stronger base in terms of analysis and understanding”.²⁰

10. The Cabinet Office agreed that the SDPs “could do better” on focusing on outcomes.²¹ The NAO’s analysis of performance measures included in the published SDPs found that only 28% measure outcomes.²² The Cabinet Office said that there were “certainly quite a number of the departments that have a much clearer, more detailed perspective, having done the SDP now after the spending round”.²³ However, HM Treasury agreed that the ideal would be to “put together their single departmental plans...then go forward to the spending review”.²⁴ Because the two processes were not aligned in 2015, budgets set out in Spending Review settlement letters are not aligned to SDP objectives.²⁵

11. HM Treasury told us that taking together the Supply Estimates, the Annual Report and Accounts every department produces, and the SDPs, should provide all the necessary information to assess performance.²⁶ However, at the moment, while the Estimates include departmental spending allocations against certain objectives, these are not the same as the objectives in the SDPs. Published SDPs contain some information on performance against these latter objectives, but very little on how overall departmental budgets and spend map onto those objectives.²⁷ Moreover, owing to the delay in finalising SDPs, mid-year financial and performance reporting to Parliament has been dropped.²⁸ HM Treasury described the end point that it wanted to reach as “At any point you would be able to look at the latest report and accounts for the financial year, and the current SDP that sets out what the Department is doing and how it is trying to do it”.²⁹ The NAO reported that, while government has said that more information will be available, for example in annual reports, it is not yet clear how this will present a coherent set of information for accountability to taxpayers.³⁰

18 [Q 73](#)

19 [C&AG’s report on Spending Review 2015](#), para 12.

20 [Q 45](#)

21 [Q 43](#)

22 [C&AG’s report on Single Departmental Plans](#), Figure 11

23 [Q 91](#)

24 [Q 66](#)

25 [Q 47](#); [C&AG’s report on Single Departmental Plans](#), para 2.29

26 [Q 76](#)

27 [C&AG’s report on Single Departmental Plans](#), Figure 11

28 [C&AG’s report on Single Departmental Plans](#), para 2.20

29 [Q 76](#)

30 [C&AG’s report on Single Departmental Plans](#), para 17

2 Further developments required

Planning across government

12. The Committee frequently examines issues which can only be resolved by different parts of government working together.³¹ Government has shown its intent to work across organisational boundaries by setting up Cabinet “Implementation Taskforces”. The taskforces involve ministers from multiple departments which are working together to drive the delivery of cross-cutting priorities, review performance and tackle obstacles to delivery. The Cabinet Office told us that there are now seven, rather than the original eleven, taskforces, and we noted that the published information on their number, remit and membership was updated to reflect this after our evidence session.³² However, while the Cabinet Office has published terms of reference for the Implementation Taskforces, no information is available on their progress and none of the published SDPs mentions them.³³

13. The Spending Review structure is not well suited to deal with issues that span departmental boundaries.³⁴ The Spending Review process is based around bilateral negotiations between individual departments and HM Treasury. HM Treasury’s 2015 Spending Review guidance suggested, but set no explicit requirements for, departments to commit to joint working; and, in the end, departments made only two formal joint bids for funding.³⁵ Nine out of thirteen finance directors felt that HM Treasury did not provide support to tackle cross-cutting issues in the Spending Review.³⁶ While it is essential that departments collaborate informally to achieve the government’s outcomes, without the structure of a formal joint bid there may be limits to the accountability of such arrangements.³⁷ The NAO reported examples where informal working arrangements broke down because preparations in different departments developed at different times, or departments could not agree common policy objectives.³⁸

14. The model of individual departmental accountability significantly influences how government operates, but it should not be an insurmountable barrier to cross-government working.³⁹ Cross-cutting work is possible—the NAO report sets out the example of the Departments for Education and for Business, Innovation and Skills joint working on apprenticeships with a joint team and accountability to a joint minister.⁴⁰ HM Treasury agreed that bringing a cross-cutting focus to performance monitoring was a priority.⁴¹ It said it must now look at ways to monitor and report, both internally and publicly, where

31 [Qq 48–49](#)

32 [Q55](#). The seven taskforces cover: Childcare; Digital Infrastructure and Inclusion; Earn or Learn; Housing; Immigration, Tackling Extremism in Communities; and Tackling Modern Slavery and People Trafficking. Information on the membership and terms of reference for each of the taskforces is available online: Cabinet Office, [List of Cabinet Committees](#), September 2010

33 [Q 59](#); [C&AG’s Report on Single Departmental Plans](#), Figure 11

34 [C&AG’s Report on the Spending Review 2015](#), para 13.

35 [Q 51](#); [C&AG’s report on the Spending Review 2015](#) paras 3.2–3.3

36 [Q 102](#)

37 [C&AG’s report on the Spending Review 2015](#), para 3.7

38 [C&AG’s report on the Spending Review 2015](#), Figure 13.

39 [Q 53](#)

40 [C&AG’s report on the Spending Review 2015](#), Figure 11.

41 [Q 50](#)

spending in one area of government results in impacts elsewhere, such as the example of facilities for disabled people, where capital grants made by the Department for Health could reduce care costs in local government.⁴²

15. HM Treasury also stated that progress was needed on the link between central government departments and their arm’s-length bodies as regards planning and performance.⁴³ A quarter of arm’s-length bodies surveyed by the NAO were not clear (or only partially clear) about their sponsor department’s objectives, and some departments produced their SDP with little or no involvement from their arm’s-length bodies.⁴⁴ We will be looking to see that SDPs are integrated with Accountability System Statements which must make clear the accountability relationships within a delivery system, and the financial and performance data Accounting Officers need to oversee that system.⁴⁵ The Cabinet Office set out an ambition to move “to a highly sophisticated planning process... [with many] cross-cutting axes”, but cautioned that this would take time.⁴⁶

Flexibility

16. HM Treasury acknowledged the “different time horizons” by which projects and programmes have an impact.⁴⁷ And it also acknowledged the need to improve the degree to which stakeholders can follow through the impact of plans for more than one year.⁴⁸ However, the Treasury is particularly focused on in-year expenditure performance, and nine out of thirteen Finance Directors who responded to the NAO’s survey felt that HM Treasury considers the impact of settlement funding only during the Spending Review period.⁴⁹

17. HM Treasury told us that SDPs should be living documents that are “a way for supporting good quality conversations between departments and the centre”.⁵⁰ HM Treasury confirmed that this should cover day-to-day work as well as government priorities: “Departments absolutely need to continue to provide the services that the public want.”⁵¹ The decision to leave the EU represents a good test of whether the plans are fit for purpose in allowing government to re-assess its priorities in the light of events, “flushing out tensions and issues”.⁵²

18. HM Treasury told us that there were two separate Brexit-related exercises that have been using the SDPs as a starting point—one led by HM Treasury “looking at spending”, and one by the Department for Exiting the EU on “the implications for them [departments] and about any issues they would have in the negotiation that is to come”.⁵³ HM Treasury also told us that “every department needs to look at its objectives and key priorities and

42 [Q 87](#)

43 [Q 38](#)

44 [Q 101](#)

45 See recommendations made in Committee of Public Accounts, [Accountability to Parliament for taxpayers’ money](#), Thirty-ninth Report of Session 2015–16.

46 [Q 54](#)

47 [Q 100](#)

48 [Q 90](#)

49 [Qq 65](#); [C&AG’s report on the Spending Review 2015](#), para 4.4

50 [Q 92](#)

51 [Q 105](#)

52 [Q 61](#)

53 [Q 103](#)

at how to accommodate EU exit within that” and that it would expect to discuss with departments if “it looks likely to pose a particular challenge to the delivery of some other objective”.⁵⁴

19. Fully updating the SDPs to take into account the impact of Brexit will take some time as government is still assessing what that impact may be. In due course, the Cabinet Office agreed, it ought to be possible for Parliament to see what that impact was on a given department, but the Treasury said that it had yet to decide how the results of the various Brexit-focused reviews would be brought together and reported.⁵⁵ There are currently 17 published SDPs, reflecting the departments which existed before machinery of government change set up to deal with Brexit.⁵⁶ HM Treasury said it expected that “every Department needs to go through that exercise” of incorporating Brexit into their plans.⁵⁷

54 [Qq 105–106](#)

55 [Qq 82, 107](#)

56 Cabinet Office, [Single departmental plans for 2015 to 2020](#), February 2016. At the time of writing, the merging of the Departments for Energy and Climate Change, and Business, Innovation and Skills, and the creation of two other new departments were not reflected in the published SDPs and 8 departments (including the Cabinet Office) had not yet altered their published plans to reflect ministerial changes that happened in July 2016.

57 [Q 103](#)

3 Improving monitoring and reporting performance

Capability

20. As a result of the absence in recent years of an effective planning and performance monitoring framework in government, the NAO found that there was a generally low level of capability in government.⁵⁸ The Cabinet Office agreed—“this is a discipline that is in some ways new to government, so we’ve got to build that muscle a little bit”.⁵⁹ HM Treasury and the Cabinet Office could point to the Department for the Environment, Farming and Rural Affairs’ engagement with arm’s-length bodies on the objectives in its SDP, and HM Revenue & Customs’ integration of performance information systems at every level of the department, but these examples of good practice were limited.⁶⁰ Varying levels of capability in departments hinder their ability to work together. For example, the NAO found that the Department for Transport was able to engage early with HM Treasury during the Spending Review 2015, but other government departments were less advanced and not ready to engage.⁶¹

21. Government is working to improve capability, for example through HM Treasury’s Financial Management Review, which aims “to improve the capability of the finance profession right across Government”.⁶² The Cabinet Office’s Implementation Unit is also working with teams in all departments and cross-government professional networks to share good practice on performance measures.⁶³ The Cabinet Office told us that “It is much better than it looks from the centre when you go out and talk to the departments”. But the Cabinet Office said that it does not yet collect all the information coming out of departments, to create a single shared view of activity and performance, and considered it had more to do on that.⁶⁴ HM Treasury agreed that it was a big task, and told us that improving the maturity of the SDPs would be a central focus over the next two years so that the approach was ready to support the next spending review.⁶⁵

Transparency

22. The SDPs were published after a commitment from the Cabinet Office during their development that they would “bring together inputs (especially funding) with outputs”. But seven out of seventeen departments do not publicly assign any budgets to their objectives.⁶⁶ The Cabinet Office’s announcement alongside the publication of SDPs stated they would “enable the public to see how government is delivering on its commitments”. But there are significant areas within some objectives where no indicators to measure progress are published.⁶⁷ While the internal plans have more detail, this detail is not available to

58 [C&AG’s report on Single Departmental Plans](#), para 2.4.

59 [Q 96](#)

60 [Qq 38, 43](#)

61 [C&AG’s report on the Spending Review 2015](#), Figure 7.

62 [Q 73](#)

63 [C&AG’s report on Single Departmental Plans](#), para 3.19.

64 [Qq 43, 54](#)

65 [Qq 61–62](#)

66 [Q 38](#); [C&AG’s report on Single Departmental Plans](#), Figure 11

67 [C&AG’s report on Single Departmental Plans](#), Figure 11.

taxpayers or Parliament.⁶⁸ Mid-year performance reporting to Parliament was missed in 2015–16, and the NAO reported that SDPs did not fill this gap in terms of presenting a picture of departments’ financial and non-financial performance.⁶⁹

23. HM Treasury agreed that it needed to improve what government publishes to explain to Parliament and the public what money is being spent on and how well it is being spent.⁷⁰ It said it had taken on board the NAO’s comments on transparency and was looking at the information provided publicly to ensure that it is fit for purpose, and that a good SDP “absolutely allows people to assess performance”.⁷¹

68 [Q 38](#)

69 [C&AG’s report on Single Departmental Plans](#), para 17.

70 [Q 48](#)

71 [Qq 38,76-77](#)

Formal Minutes

Wednesday 16 November 2016

Members present:

Meg Hillier, in the Chair

Richard Bacon	Nigel Mills
Philip Boswell	Bridget Phillipson
Charlie Elphicke	John Pugh
Kwasi Kwarteng	

Draft Report (*Managing government spending and performance*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 23 read and agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

Resolved, That the Report be the Twenty-seventh 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.

[Adjourned till Monday 21 November 2016 at 3.30pm]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Monday 17 October 2016

Question number

Julian Kelly, Director General Public Spending and Finance, and **Tom Scholar**, Permanent Secretary, HM Treasury

[Q1–33](#)

Tom Scholar, Permanent Secretary, and **Julian Kelly**, Director General Public Spending and Finance, HM Treasury, **John Manzoni**, Permanent Secretary, and **James Quinalt**, Executive Director Implementation Group, Cabinet Office

[Q34–112](#)

List of Reports from the Committee during the current session

All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2016–17

First Report	Efficiency in the criminal justice system	HC 72 (Cm 9351)
Second Report	Personal budgets in social care	HC 74 (Cm 9351)
Third Report	Training new teachers	HC 73 (Cm 9351)
Fourth Report	Entitlement to free early education and childcare	HC 224 (Cm 9351)
Fifth Report	Capital investment in science projects	HC 126 (Cm 9351)
Sixth Report	Cities and local growth	HC 296 (Cm 9351)
Seventh Report	Confiscations orders: progress review	HC 124 (Cm 9351)
Eighth Report	BBC critical projects	HC 75 (Cm 9351)
Ninth Report	Service Family Accommodation	HC 77 (Cm 9351)
Tenth Report	NHS specialised services	HC 387 (Cm 9351)
Eleventh Report	Household energy efficiency measures	HC 125 (Cm 9351)
Twelfth Report	Discharging older people from acute hospitals	HC 76 (Cm 9351)
Thirteenth Report	Quality of service to personal taxpayers and replacing the Aspire contract	HC 78 (Cm 9351)
Fourteenth Report	Progress with preparations for High Speed 2	HC 486
Fifteenth Report	BBC World Service	HC 298
Sixteenth Report	Improving access to mental health services	HC 80
Seventeenth Report	Transforming rehabilitation	HC 484
Eighteenth Report	Better Regulation	HC 487

Nineteenth Report	The Government Balance Sheet	HC 485
Twentieth Report	Shared service centres	HC 297
Twenty-first Report	Departments' oversight of arm's-length bodies	HC 488
Twenty-second Report	Progress with the disposal of public land for new homes	HC 634
Twenty-third Report	Universal Credit and fraud and error: progress review	HC 489
Twenty-fourth Report	The sale of former Northern Rock assets	HC 632
Twenty-fifth Report	UnitingCare Partnership contract	HC 633
Twenty-sixth Report	Financial sustainability of local authorities	HC 708

Public Accounts Committee

Oral evidence: Spending, Performance and Departmental Plans, HC 710

Monday 17 October 2016

Ordered by the House of Commons to be published on 17 October 2016.

Watch the meeting <http://parliamentlive.tv/Event/Index/a813bd54-0dd1-42a3-9ecc-4ea1799b5465>

Members present: Meg Hillier (Chair); Mr Richard Bacon; Philip Boswell; Chris Evans; Kevin Foster; John Pugh; Karin Smyth; Mrs Anne-Marie Trevelyan.

Sir Amyas Morse, Comptroller and Auditor General, Adrian Jenner, Director of Parliamentary Relations, National Audit Office, Paul Oliffe, Director of Cabinet Office Value for Money Work, National Audit Office, and Richard Brown, Treasury Officer of Accounts, were in attendance.

Questions 1-112

Witnesses

I: Julian Kelly, Director General Public Spending and Finance, HM Treasury, and Tom Scholar, Permanent Secretary, HM Treasury.

II: John Kelly, Director General Public Spending and Finance HM Treasury; John Manzoni, Permanent Secretary, Cabinet Office; James Quinault, Executive Director Implementation Group, Cabinet Office, and Tom Scholar, Permanent Secretary, HM Treasury.



Reports by the Comptroller and Auditor General

Government's Management of its Performance: Progress with
Single Departmental Plans (HC 872)

Spending Review 2015 (HC 571)

Examination of witnesses

Witnesses: Julian Kelly and Tom Scholar.

Q1 **Chair:** Welcome to today's Public Accounts Committee on 17 October 2016. We are here to look at how the Government plan and monitor delivering value for money. Tom Scholar is the permanent secretary at the Treasury and Julian Kelly is the director general for public spending and finance at the Treasury. I gave you prior notice, Mr Scholar, that we wanted to ask some quick questions about the garden bridge project and the Department of Health accounts. As you are here, it seems an opportune time and saves you coming back a second time. So I hope you are happy with that. If not, you are here, anyway.

First, on the garden bridge, can you outline to us the assurances that you received in the Treasury before committing £30 million of central Government money to the project?

Tom Scholar: I think the decision was taken some years ago, in 2013. My understanding is that the decision was taken following a thorough analysis of the business case by the Department for Transport; obviously, that was also discussed with the Treasury. Again, my understanding is that the business case showed there was a range of benefits that could be delivered by this project, and there was a reasonable prospect of proceeding successfully with it and the project delivering value for money. On that basis, the project was approved.

Q2 **Chair:** Four conditions were set. To aid everyone's memory, one was the business case. The Mayor of London matched the funding from Transport for London, which it is not in our remit to look at, although the Mayor has now set up a commission under Margaret Hodge MP to look at that. Also, TfL would fund the bridge's ongoing maintenance, and the Mayor would cover cost overruns or shortfalls in funding. So the Treasury satisfied itself that the business case was satisfactory, which you say was one of the criteria.

Tom Scholar: The Department for Transport, as the Department responsible for the expenditure, took the lead in that assessment, but the Treasury was sufficiently satisfied that it agreed to allocate the money to the Department.

Chair: So you were satisfied with that, but given that only one of those four conditions—the matched funding—was actually met, why do you think it was approved in the end? Did the Treasury have sight of it at that point,



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or had you by then passed it over to the Department for Transport to make the decision?

Tom Scholar: I am not completely familiar with the entire decision-making process at the time.

Chair: I should say for the record that you only recently became permanent secretary of the Treasury—in the summer.

Tom Scholar: Indeed. The decision was made some years ago. What I have outlined to you is my understanding of the decision-making process at the time.

Q3 **Chair:** As we understand it, the decision was very much between the Chancellor and the then Mayor of London, so the Treasury was very much in the driving seat. Do you agree that that is a fair comment?

Tom Scholar: It was Department for Transport expenditure. The Secretary of State signed it off and the Department signed it off, so it was a collective decision, but clearly the Chancellor and the Treasury made the money available.

Q4 **Chair:** One of the questions that has arisen is why the Department for Transport dealt with it, given that it is not really a transport project but a project for a bridge. I suppose that is the bit that is potentially transport, but it is not a thoroughfare. You can't even take bicycles over it; it is a pedestrian bridge. Why was the Department for Transport chosen as the Department to administer the grant funding and the guarantees?

Tom Scholar: I think for the reason you give: it is a bridge, and that comes within the remit of the Department for Transport. Of course, the implementation of it—the actual spending of the money—has been delegated by the Department to Transport for London, under various oversight and control arrangements.

Q5 **Chair:** Is that partly why it was Department for Transport—because it was going to be administered through Transport for London's budget?

Tom Scholar: I am not sure which way round that goes, but since it is a bridge, I think the decision was taken that its primary purpose is transport-related.

Q6 **Chair:** Okay. Note to everyone: bridges always come under the Department for Transport. I have to remember that for the future. I want to be really clear about something, because people have raised a lot of questions with us about this expenditure, although it is relatively small for both the Treasury and this Committee. Is there any promise of further loans or guarantees by the Government for the garden bridge?

Tom Scholar: I am not aware of any such proposals. We have of course seen the Report by the National Audit Office, which raises lots of important issues that the Government need to consider very carefully. They will do that, and they will give their response in due course.

Q7 **Chair:** Okay. We look forward to receiving that Treasury minute.



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There has been some discussion about the underwriting of trustees' liabilities. Is there any plan for the Government to extend the underwriting of trustees' liabilities?

Tom Scholar: Again, I am not aware of any such proposals or plans.

Q8 **Chair:** If it gets the go-ahead, will the running costs be funded by the taxpayer? Do you have any input into that?

Tom Scholar: No. The commitment, as I understand it, is to the construction costs, with the guarantee that you referred to as well. That is the total public exposure, or the total Government exposure.

Q9 **Chair:** Going back to the business case, I appreciate that the Department for Transport was the sponsoring Department, but as the spending watchdog within Government the Treasury surely had some sight of this. In the business case, the Garden Bridge Trust said that about 70% of the cost would come from donations. I am referring to a report about the operational viability of the garden bridge—a review of the draft operations and maintenance business plan—from March 2016 by someone called Dan Anderson, a director at Fourth Street. It was published in July this year. I don't know whether you are aware of this document.

Tom Scholar: I have not seen the document, no.

Q10 **Chair:** Okay. I can pass a copy to you. Let me quote from the relevant part. It is talking about getting 70% of the benefit from donations from the private sector. On page 5 of the report, it says: "All the same, it is worth noting that while voluntary income represents between 10% and 30% of total income at cultural attractions like Tate, V&A, Science Museum, Kew and the Royal Parks, it amounts to almost 70% of projected income for the Garden Bridge." On the face of it, do you think that makes a good business case for the Government to let taxpayers' money be spent on?

Tom Scholar: I should say that I have not done a study of the business case approved at the time. I am very happy to do so, but I am not in a position today to give a detailed commentary on what was decided back in—

Q11 **Chair:** But on the face of it, if it had been you in the hot seat at the time and you had seen those figures, would you have gone back and asked some questions? You may not have been involved, but the Treasury certainly was.

Tom Scholar: I am very sure that the Treasury did ask questions and scrutinise it. As I said, I am happy to go back and review the evidence at the time. I am sure the Treasury and the Department for Transport had good reasons at the time for reaching the decision that they did.

Chair: We will come to the ministerial direction in a minute, but I will let Kevin Foster come in on this issue.

Q12 **Kevin Foster:** Mr Scholar, a moment ago in response to a question about



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maintenance you said that the taxpayer is only liable for the construction cost. Who is liable for the ongoing maintenance of this bridge, if it is built?

Tom Scholar: Again, I can just tell you what my understanding is, and I will check the position afterwards.

Chair: We recognise that you are not the biggest expert on the garden bridge.

Tom Scholar: My understanding is that the trust is responsible for that.

Q13 **Kevin Foster:** Given that the likely length of time for bridge maintenance is in decades rather than years, what would happen if the trust was unable in future years to raise cash?

Tom Scholar: There is a guarantee, which the Chair referred to a few moments ago, that relates to the possible cancellation costs in the event that the project does not go ahead.

Q14 **Kevin Foster:** Let us assume it is built. It would then need ongoing maintenance. If the trust was not able to fund that, given that we are talking about decades of maintenance, who would the liability fall to for a bridge over the Thames?

Tom Scholar: I think in that case the responsibility would fall to Transport for London, as the authority with the responsibility for implementing this.

Q15 **Chair:** We are straying into the area of the commission set up by the Mayor of London. Finally on this point, I want to ask about ministerial direction. There have been 10 ministerial directions since January 2015, which roughly fall into the following categories. Five are ones you could argue about but which are reasonable political decisions by a Government—for example, maintaining steelworks apprentices. They needed directions, but you can see the rationale. A couple were interestingly timed just ahead of the election, but I will not go into those because it is not pertinent to today's discussion. Three related to money going to what we might call favoured causes, or where there is perhaps a particular connection between some part of Government and the organisation. Richard Heaton, the permanent secretary at the Cabinet Office then, asked for a ministerial direction on Kids Company in June 2015. John Manzoni, one of our witnesses in the next panel, called for one on Cabinet Office special advisers' severance pay. In October this year, the Department for Transport finally asked for one on the garden bridge. Given that the garden bridge is five times the Kids Company spending and about 15 times what was spent on special advisers' severance pay, can you shed any light on why it took so long for a decision to be made to call for a ministerial direction on this amount of money?

Tom Scholar: Let me do my best. It is first and foremost a question for the accounting officer concerned, but my understanding is that it was only at the point of reassessing the state of the project earlier this year that the value for money concerns had reached the stage at which the



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accounting officer felt the direction was necessary. There had been earlier assessments, right at the start of the project, and subsequently where it was felt that on balance there was a sufficient prospect of delivering value for money, but on re-examining the case earlier this year, the accounting officer felt that that was no longer the case and took his concerns to the Secretary of State.

Q16 **Chair:** When ministerial directions are sought on the basis of value for money, do the permanent secretaries talk to you in the Treasury about that?

Tom Scholar: There is no requirement for them to do so; I think they quite often do. I should say that in my time in this position, since the beginning of July, I have not had any such conversations, but it is always open to a Department to talk to the Treasury, whether to the permanent secretary or to the Treasury Officer of Accounts and his staff.

Q17 **Chair:** I have highlighted three examples there. When you have something like the Kids Company one, for example, does the Treasury look at that and see if there are any lessons that should be learned by accounting officers across the piece and send out any guidance or advice?

Tom Scholar: Yes, a lot of work was done after the Kids Company episode, and the Cabinet Office has drawn up some new and tighter guidance for the allocation of grant money throughout Government. That has been sent round and is now in operation.

Q18 **Chair:** Obviously I know the Department for Transport is not your Department, but do you know if that had any impact on the decision by the permanent secretary at the Department for Transport?

Tom Scholar: I do not know the answer to that.

Q19 **Chair:** Okay. As a Department, are you planning to look at the ministerial direction for the garden bridge, to see if there are any other lessons to be learned?

Tom Scholar: The Treasury Officer of Accounts and his team always take a close interest in any directions that are provided, since they will raise issues that are relevant to our responsibilities under managing public money and the guidance we are responsible for.

Q20 **Chair:** So you and the Treasury Officer of Accounts are looking at that now? Perhaps the Treasury Officer of Accounts might be able to shed some light on this?

Richard Brown: I think that this direction was very unusual, in that it was to cover the costs and expenditure that would occur if the thing did not go ahead. If you looked at the balance between what the Government were getting and what resources they were putting in, in this case they would have been getting absolutely nothing and committing to quite significant expenditure. That was a rather unusual situation.

Q21 **Chair:** Thank you. Mr Scholar, do you have anything to add on this subject? It is probably the last time we are going to discuss it as a



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Committee.

Tom Scholar: Just to repeat what I said earlier: the Government will be studying the NAO Report very carefully and responding in due course.

Q22 **Chair:** Okay. Thank you. I know the Assembly Members at City Hall are very interested in this, so I am sure it won't go away, but from our point of view I think we are now nearly done and we will see what the commission comes up with.

I just want to touch on the NHS accounts. I am sure I don't need to repeat this to you, but for those who may be watching who are not aware of the background, these were laid on 21 July—the last day Parliament sat before the summer recess. They were late and there were a number of issues about how they were put together. You will have read, I am sure, the Comptroller and Auditor General's rather extraordinary explanatory note attached to those accounts. Were you happy with the way the Department of Health's accounts were finalised for last year?

Tom Scholar: Let me give you a preliminary answer, then I will turn to Mr Kelly to give some more detail. I think we recognise that there were a number of issues there. As you know, they were also rather late—on the last possible day. I am sure there were reasons for that, but it is not really optimal. Perhaps at this point I could turn to Mr Kelly, who has been studying this.

Julian Kelly: I think it is fair to say that the position in respect of the Estimate and the Department of Health's outturn is very tight. We had a series of ongoing discussions through the year in which we agreed certain flexibilities they could have, actually quite considerably in advance of the end of the year—for example about moving things between capital and resource. Indeed, we agreed a reserve claim before the supplementary Estimates. The thing that really was not satisfactory in particular was that the national insurance contributions forecast increase was not included in the supplementary Estimate as it should have been. As a result, when we came to the outturn, that money had come. It was due to the NHS and that had not properly been reflected in the supplementary Estimates. That is the bit that is definitely unsatisfactory.

There are issues in the Department of Health with its process, and in then notifying us. I think it is also fair to say that we have looked at it as a result of our own processes, to make sure that we have a way of checking that the information given to us on that is fair and accurate. We have tightened up our own processes as a result.

Q23 **Chair:** When we were talking about this on 7 September, the Alternate Treasury Officer of Accounts said: "In this particular case we rely on the Department of Health to inform us about the national insurance contributions. If we weren't informed we can't act." But we were pretty staggered as a Committee that, miraculously, this amount of money came and was about the right amount of money needed by the Department to balance its budget. That seems to be an extraordinary coincidence to us.



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Julian Kelly: Yes, and straightforwardly we have done a lot of work to assess the degree to which that was a mistake, or a deliberate act. Actually, I am pretty reassured that that was a genuine mistake. By the way, if it had been updated, they would definitely have breached their DEL once we knew the final outturn—but I think it was a definite mistake. As a result, I am looking to them to tighten up their process, and we have tightened up ours to make sure that we double-check and confirm that the numbers they give us are accurate and reflect any changes that they should reflect.

Q24 **Chair:** To be clear, is there any prospect that this could happen again, first of all, in the Department of Health?

Julian Kelly: I am confident that it will not happen again with respect to the Department of Health.

Q25 **Chair:** What about other Departments?

Julian Kelly: We have done a check to find out whether there are any similar situations in other Departments. We have not found any in which there is quite the link between tax receipts and spending. We will continue to tighten up our guidance and our training to our spending teams to make sure that they are on top of the particular peculiarities of their Departments so that we do not miss these things.

Q26 **Chair:** Comptroller and Auditor General?

Sir Amyas Morse: I would simply add that, first of all, we did not qualify the accounts, and it is important to remember that. We did not qualify the accounts, and if we had thought that there was any evidence of deliberate action we would have qualified the accounts, and I would certainly do again, but I think we have to be a little cautious about regarding this one factor as the only issue. There was a lot of non-repeatable adjustments of quite an extreme kind. I want to talk very carefully to the Department and to explain to them that I thought that they were on quite thin ice, quite apart from and in addition to this one factor. I would really be concerned to find this level of non-sustainable adjustment happening in future.

I understand that some of this will happen every year, because of the arbitrary nature of the vote limit, but I feel that it was not just this one; it was getting rather extreme. I have had assurances from the Department, which I was happy to accept, so I am expecting a different experience next year and in future years. On that basis, we have moved forward.

Tom Scholar: In the light of that, it is clear to me that this is an issue that we should take away and discuss further, certainly with the Department of Health, but I think it is one that I should also bring to the attention of other accounting officers for other Departments where there might be a risk of similar issues in the future.

Q27 **Chair:** As Sir Amyas highlighted, there were many other pressures. I will not repeat his comments or his explanatory note, but a lot of pressure was put on trusts to look at—I think you just touched on it, Mr Kelly—this issue of capital and resources and where the balance lay, so a lot of one-



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off measures. It is worth touching on those, although I do not want to go through them all in detail. There was the £100 million super-dividend from the Medicines and Healthcare Products Regulatory Agency—again, very convenient as a one-off this year, but what oversight does Treasury have over that sort of dividend and the relationship between an arm's length body and the Department?

Julian Kelly: We did not discuss with the Department of Health every adjustment that they were going to make, because they were acting within the delegated authorities that they have. We are clearly in close, ongoing contact—weekly, monthly—with the Department about the overall financial position as it is for the whole Department and the NHS and, indeed, their forecasts through to the end of the year, but there is a certain level of detail below which we would not expect them to be consulting us.

Q28 **Chair:** I completely appreciate what you say about their delegated authority. Obviously, Government would not function if you had to micromanage every Department, but given the warnings that the Comptroller and Auditor General has helpfully outlined again today and your responsibility, which we are going to discuss in our main session, to oversee the relationship between Departments' promises and plans and their deliverability, are you going to be watching much more closely what the Department of Health is doing this year, and in the end who is going to call it out if it is not going to balance?

Julian Kelly: The really key thing remains the sustainability of the NHS finances—

Chair: Yes, exactly.

Julian Kelly: —not just this year, but into the future. As I said, we are in very close contact about how the NHS is doing, the operation of the sustainability and transformation fund this year and the conditions on which trusts draw that down over this year. We are going to be in ongoing very close contact—as I said, it's not just this year, but looking forward to next year and the year beyond—to make sure we have sustainable plans.

Q29 **Chair:** On the NHS accounts, just this Committee—I know that the Health Committee has similarly been challenging things—has this year alone done nine Reports on NHS issues, all of which show that the budget is incredibly squeezed and that there are very ambitious plans for transformation and efficiencies in order for the Department to suggest that it is going to meet its target. Everybody knows it is very challenging. I could quote to you, but I won't, the permanent secretary, the chief executive of NHS England and a number of other health officials saying that in this very room. In the end, what is the mechanism for talking truth to power, if you like, and making sure that the whole of Government is aware of this challenge and is prepared to address the shortfall in funding for the NHS?

Julian Kelly: I do not think this is necessarily just about funding. Money clearly plays a major part, but the NHS is getting a £10 billion real-terms

increase in its funding, so in contrast with almost any other public service, it is getting in tight times—they are tight—an incredibly generous settlement. That is consistent with the five-year view, which was published by the NHS chief executive before the election. We, with the Department of Health, NHS England, No. 10 and the Cabinet Office, are in very close dialogue about how they are developing their plans both to deliver the performance that the Government want and to prioritise the changes that are required in order to match the money and the performance together. Critically, we are now in this phase where they have asked the 44 local health economies to produce their plans for how they will live within the budget over this Parliament. Those are being analysed. I have not yet seen the output of that, but nailing down those plans and then continuing to improve them will be absolutely critical to make sure we can balance the performance, the money and the change.

- Q30 **Chair:** Mr Kelly, our *raison d'être* as a Committee is to look for efficient and effective performance and to safeguard taxpayers' money, so we are not a Committee that talks lightly about there being a shortage of funds, but we have seen this incredible stress in every single area of the NHS. What I note in your comments, which I have heard reflected in other places, including by the Prime Minister, is that the NHS asked for money and got it. In fact, they asked for between £8 billion and £21 billion and got £8 billion plus the £2 billion that had already been pledged, so although they then came up with a plan—a five-year transformation plan—it did not look great from the very beginning, and my question again is: when will the Treasury call out and say, "If you look at the sustainability and transformation plans, they could deliver this, but they might not be able to deliver it in the same timeframe as has been set out; they might need an extra year or two"? Do you have a role in that, Mr Kelly, in your very important position watching the spending from the Treasury?

Julian Kelly: I think I may have misunderstood you, so I apologise if I have, but actually the £10 billion was genuinely the £8 billion they asked for and another £2 billion on top, so the £10 billion that was provided was not some previous pledge plus £8 billion; it was entirely a new £10 billion and, as you say, more than the £8 billion originally asked for.

Chair: The £8 billion was the lower end of the range, let's be clear.

Julian Kelly: As officials, we are closely engaged with the Department to understand their plans, to work with them, to help support and to make sure plans are deliverable. Then, as with almost any public service, we just keep the situation under review so that if things really materially change we are in a position to advise the Chancellor, or whoever else requires it, about what options and actions might be taken.

- Q31 **Chair:** You hear our concerns and they are not meant lightly. We are a cross-party Committee representing four parties of this House and we are very concerned just from looking at the figures—that is our job. Finally, Mr Scholar, have you spoken to the Permanent Secretary at the Department of Health directly about the accounts that were laid this



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year?

Tom Scholar: On this issue, no.

Q32 **Chair:** Will you be talking to him about the accounts coming through this year and the ongoing sustainability of NHS finances?

Tom Scholar: Yes. As I said earlier, we ought to take this away to reflect and discuss it both with the Department of Health and with other Departments where we have any concerns of similar risk in the future.

Q33 **Chair:** To go back to my first question, if you had other Departments regularly filing accounts in this manner—both late and going through a lot of one-off measures to get them to balance—would you be happy, as Permanent Secretary to the Treasury, that Government were running smoothly?

Tom Scholar: That would not be the situation that we would want to see. We heard the Comptroller and Auditor General saying earlier that he examined the issue very carefully and didn't see any need on this occasion to qualify the account, but it is not something that he would want to see repeated either and we would support him in that.

Chair: We appreciate that candour and thank you for this first half hour.

Examination of witnesses

Witnesses: Julian Kelly, John Manzoni, James Quinault and Tom Scholar.

Q34 **Chair:** Good afternoon and welcome again to the Public Accounts Committee on Monday 17 October 2017. We just had a pre-session on some other issues as Tom Scholar was here from the Treasury. Today we are looking at a couple of National Audit Office Reports. In essence, they are looking at how Government monitor spending and the value for money of that spending, and the variation in what Departments publish about that so that the taxpayer can see what is going on. The aim, apart from value for money, needs to be around transparency. I know, Mr Scholar, that you have a good pledge about being more transparent. You have been very clear about that since you arrived at the Treasury. On this Committee we are keen that the citizen taxpayer—as we call them—can see openly and easily what is being spent, how it is being spent, and what the outcomes are and can track that through.

Today we want to probe the progress that has been made on single departmental plans and managing and monitoring the money; the barriers to progress, and we hope we can have a candid discussion about what is not working and how you are working to improve that; what Government's priorities are, and how that can be seen by the citizen taxpayer and Members of Parliament like us around this table; and anything you can tell us about the process for the next spending review, which I am sure you are already under way with, and Brexit, which we will of course touch on because it is an all-consuming issue.



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We are really hoping today that you will acknowledge what problems there are, what you are going to do about them, what the constraints are and how you are going to determine priorities in one of the most constrained public sector spending eras that most of us have lived through. We are also keen to know how Government work together, because so often things are done in silos. A lot of Government projects and programmes are now cross-department but we have still got single departmental plans, so we will hopefully tease all that out.

Our hashtag today is: #govplans. I shall just introduce our witnesses formally. Julian Kelly, whom I introduced earlier, is the director general of public spending and finance at the Treasury. Tom Scholar is the permanent secretary at the Treasury. James Quinault is the executive director of the implementation group at the Cabinet Office, and John Manzoni is the chief executive and permanent secretary at the Cabinet Office. I shall ask Kevin Foster to kick off.

- Q35 **Kevin Foster:** As the two Reports acknowledge, some progress has been made in how we manage spending and performance across Government; but they also talk about how some of that has been quite incremental and slow. Perhaps I will start with you, Mr Scholar, given some of the comments you have made, and your being the Government's money man as permanent secretary to the Treasury. How do you feel we are at the moment? Is the progress currently acceptable, or do we need to be more ambitious?

Tom Scholar: Let me first say that we very much welcome the NAO Reports and all the work that the NAO has put into them. As they acknowledge, the business of planning, allocating, controlling and then replanning Government spending is huge and very complex, and in today's environment, very challenging. So, like you, I thought there was quite a lot in the Report to be encouraged by, in terms of progress and improvements. At the same time, none of us along the table here would claim that we have perfection in this area. There are definitely things that we can improve. We are working hard to do that.

- Q36 **Kevin Foster:** Would you like to give a couple of examples of things that could be improved?

Tom Scholar: Yes. First, the single departmental plans: they are, of course, only in their first year, in their first iteration; but they do, I think—and I am sure my colleagues will want to add to what I say—offer a real chance to strengthen and improve the ability of the centre of Government to do thorough and intelligent performance management in a way that will improve our understanding of value for money of spending right across Government.

- Q37 **Kevin Foster:** Do you feel that applies, currently, to all Departments, in terms of providing a valuable opportunity to see how money is being spent across priorities—getting a sense of how budgets have been assigned to priorities at the moment?

Tom Scholar: The SDP is the primary tool that we use, or will be using, to manage performance and then to inform decisions that get made in spending reviews.

Q38 **Kevin Foster:** The reason why I ask that, just to be clear, is that seven out of 17 do not actually assign any budgets to their objectives that are in their single departmental plan.

Tom Scholar: As I said, it is the first year. There are definite improvements that can be made. Best practice in any Department is to have all its performance management fully aligned behind the SDP. So that is definitely one area where more progress is possible. Another, I think, would be on the links between central Government Departments and their arm's length bodies. We touched on that earlier. In the first phase, the first year, of setting these up, that was not one of our central priorities. Some Departments, I think, did it very well. DEFRA is an example of that, which is highlighted by the NAO; but I think we would acknowledge that that can be improved, and that is an area we want to look at this year.

The third area I would give, of possible improvements, would be on cross-cutting work. Many issues go across departmental boundaries. We have tried very hard in spending reviews—including, very much, last year's spending review—to, when we are planning the allocation of funds, look across the departmental boundaries and find allocations that best reflect value; but we need to put the same effort into monitoring performance, and I think SDPs can help us do that, but we really need to make them work in that way.

The final area I would highlight for us to look at is transparency, which the Chair has raised. As the Committee knows, Departments have their own internal plans, which are much more detailed than the published ones. The NAO acknowledges in its Report that it would not be reasonable to require Departments to publish full details of everything they do because every Department, like every business, needs internal space to consider challenges and how to address them. But we have taken on board and are looking at the comments by the NAO and others about the information we provide. We do not have the answer today, but we will certainly look at it.

Chair: That is a very full answer, which we welcome, but we might get through this in an hour or one hour and 15 minutes if questions and answers are brisk. I am sure Mr Kevin Foster will give us an example of a brisk question.

Q39 **Kevin Foster:** Have you encountered any impediments to this new approach?

Tom Scholar: Well, as I said, looking back over the last year, which is the first in which we have done this, doing a spending review all together and creating this new tool of a single departmental plan at a time of considerable change following the election was certainly a challenge. We hope that, having taken that first step and having got the plans into a



reasonable state and published, it should be easier for us to improve and refresh them.

- Q40 **Kevin Foster:** How do you view the current framework for setting matching resources to the priorities, particularly when looking at election manifestos that come through and inform these plans? Do you see the current process as fit for purpose? Is it genuinely cross-Government, or is it still too siloed?

Tom Scholar: There are two dimensions to that. We look across Government in the spending review and we will certainly do so also in performance management.

The other dimension was referred to by the NAO in the Report: the importance of looking at both manifesto priorities and the ongoing business of Government. Sometimes those are the same and sometimes they are different. Sometimes manifestos pick out particular aspects of public services. We need to recognise that all those things are important. We need and are working on a performance framework that allows us to assess across the board value and performance to optimise spending allocations.

- Q41 **Kevin Foster:** I appreciate there is always the issue of how to deal with priorities and still do the day-to-day business.

Mr Manzoni, from the Cabinet Office's position, how do you see the current framework working to ensure that cross-cutting Government priorities are reflected in how Departments work on spending priorities?

John Manzoni: It is not perfect. We have the basics of a framework but, as Tom has described, there are some things we must do to improve it. There is no question about that. Across Government, we are increasingly—there are two sorts of priority. There are priorities around where we deploy resources within Government to meet the challenges and there are policy priorities, outcome-focused priorities, manifesto commitments and such things.

As you know better than I, we run the Government by Department and that has to be the case. With that as the primary access, the question is: how do you cross-cut? Internally, we are getting better and better at cross-cutting and I will give some examples. We are now addressing skills shortages across our system. These are long-term conversations about skills shortages—commercial skills, technical skills, budget skills and so on. Those things are now coming through our system, which means we can allocate internal resources much more effectively. We are not brilliant—

- Q42 **Kevin Foster:** For clarity, what sort of skills are we talking about: skills within the civil service to deliver a particular project, not skills such as whether we have enough engineers within the economy to deliver a new bridge?

John Manzoni: Yes. That is what I would call the second category, which are the policy and manifesto priorities cross-cutting. We picked several and there are lots of examples, whether apprenticeships, whether the



social care system, whether counter-terrorism had 10 or 11 Departments looking across at the beginning of the spending round this time. We pick some of those and the SDPs reflected conversations that took place across Government.

- Q43 **Kevin Foster:** You talked about focusing on outcomes. Do you think enough of the monitoring through the single departmental plans focuses on outcomes, or could it more be outcome focused, rather than process focused?

John Manzoni: There are two ways of thinking about that. The first is what is happening inside the Departments. Are they seeing visibility? Are the boards of those Departments seeing visibility? I have travelled around most of the Departments and talked to most of their executive committees, and the answer is that they are getting better. We have specific mechanisms. James and his team look at manifesto priorities for the centre, but we do not collect yet all the information coming out of the Departments in the centre. We have more to do there, so that we can get that stronger.

It is much better than it looks from the centre when you go out and talk to the Departments. Could they do better? Yes they could. Do they all do it slightly differently? At the moment, yes they do. It ranges from HMRC, which has a fully online outcome-focused performance management system down to every level of its organisation, so you can just click a button and go down, to other processes that are more paper based. So I think it is coming.

- Q44 **Kevin Foster:** Mr Manzoni and Mr Scholar, do you see a role for the Cabinet Office and the Treasury in helping to bring some more uniformity to these plans, to perhaps make them more reflective of the processes we want to see across Government, or do they still very much reflect Departments' own priorities?

John Manzoni: We have a conversation ongoing. One thing we can do better and have planned to do better is to completely join up the planning process and the spending round process—the budget process—so that the two become much more aligned. That is a normal thing we will do. We have not been doing that.

- Q45 **Kevin Foster:** It would seem slightly surprising that resources and plans are not being tied up intricately, in terms of when allocations are made.

John Manzoni: That is not to say it has not been done, but it could be done better, and we have plans. That is what the SDPs are all about. In year 1, next time around, we will do it again. As Tom has said, right now the business of the Departments will know because they have had one go at it. Right now, they will be that much more clear and detailed in how they match resources to outputs and will be further up that curve. It was a blank piece of the paper for the SDPs last time around.

Tom Scholar: I entirely agree with that. We have a spending review next year, so we will not have another for some time. That means we can use



the resources we have to focus our attention in the Treasury on in-year monitoring, which we always have to do, and also with our Cabinet Office colleagues on strengthening and improving this really important tool. We are, as you know, working through the financial management review on a much stronger set of finance tools that would then be part of that, so that by the time we get to the next spending review, we will be starting from a much stronger base in terms of analysis and understanding, in exactly the way the NAO recommended.

Q46 Chair: Mr Foster highlighted earlier than only 11% of significant areas have budgets attached to them. You acknowledge that this is not perfect. That demonstrates the journey that has to be travelled. Where would you want to see this next year or in five years' time? Do you have a target for how fast you want to see that—

Julian Kelly: I think you are saying that in the published single departmental plans, 11% of the areas have budgets attached.

Chair: That is what we have to work on.

Julian Kelly: I understand that. When you look within Departments, clearly all budgets are attached to priorities, and a lot of thought has been given and is being given to making sure resources—both when we did the spending review and then as you do the more detailed plans—reflect that and you have allocated the right resources to the right places. The thing we have to do is work out how we continue to improve what we publish to explain to the public both the finance and the outcomes.

Q47 Chair: Ultimately the public will effectively make choices about whether they think that is a good thing and voice their opinions on it. Do you have you an idea of where you see that figure going and how fast? When would you want to see that at 100%, with all significant areas having publicly outlined budgets?

John Manzoni: Internally, it is 100%.

Chair: We have heard that, but the taxpayer has a right to know.

John Manzoni: I know, but any business plan is not completely aligned—it should not be—around a set of manifesto commitments, for instance. It should be aligned around that and the ongoing business of the Department and the ongoing continuation. I think it is going to depend, Department by Department.

Chair: Sir Amyas Morse, the Comptroller and Auditor General, has a question.

Sir Amyas Morse: I think all of these very reasonable comments are just that: reasonable comments. On the other hand, it is probably fair to say budgets aren't aligned to SDP objectives in settlement letters. Although obviously going to the question of whether all Departments have their budgets aligned to something, obviously the budget has to be allocated somehow, and it is always allocated somehow in a Department, but is it allocated to specific areas of activity and specific objectives? The



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answer to that is not in the majority of cases yet. Since we are progressing along this route, or saying we are progressing, why aren't we a little bit franker about the fact there is quite a long way to go still? We need to say to ourselves that if we just express all of these issues in fairly broad, vague terms, what will happen is we will be sitting here in a couple of years' time and also be talking in broad, vague terms, and we won't know if we've really moved it forward. I think we need to be a bit braver about being specific.

John Manzoni: I think your question is wrong. Actually, it's not about allocating the budgets to the objectives, it's about allocating the budgets to the teams in the Departments that are delivering the objectives. That's what we need to get.

Sir Amyas Morse: You don't have that either.

John Manzoni: That I accept. That is where we need to go. I don't accept that we need to necessarily allocate all the budgets to specific objectives.

Q48 **Chair:** I think it's about a clear and transparent view of it, so that you can tell, for example, what's been spent on early years or on social care. Those are big areas and big issues with the public. One, in particular, is a manifesto commitment as well, as it happens—perhaps for obvious reasons: because it is a big issue for the public. It is very difficult for the taxpayer to follow through. It is easy to sit there and say what you've just said, but actually we all want to watch that public money is being spent wisely. Mr Scholar, did you want to come in on that, and then I'll bring Kevin Foster back in.

Tom Scholar: In terms of bringing finance and objectives closer together, there are two purposes for doing that. One is to improve the internal process of allocating money and spending it to get better value and, ultimately, better decisions in the allocation of money. That is one important internal purpose, but there is an equally important external purpose, exactly as you say, which is to communicate to Parliament and to the public what their money is being spent on and how well it is being spent. Different processes and presentational devices are appropriate for those two things. What we need to do, which we are doing but which we need to continue doing, is work on how to make the best progress on each of those. As I said, the immediate priority is on the improvement of the single departmental plans and their one-year update. The spending review is a bit further down the track, but what I'd like to do is use the time we have to make progress. I think we should certainly be talking to the NAO about how they think our ideas measure up against the standards they have set as we bring them forward. Equally, if we can find a way of doing that with this Committee, I think that would be helpful.

Chair: This Committee is always happy to talk about how Government money is being spent and about transparency, so we will take you up on that.

Q49 **Kevin Foster:** It has been interesting listening to some of the things we kept hearing about individual Departments and how that links into their



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plans and their teams with budgets being allocated. My question is: how can we be tackling issues like, let's say cross-cutting on devolution, where we can think of various different Departments that are all there? How can we tackle those sorts of issues and deliver on those, in a resource sense, given that the current approach doesn't really seem to encourage Departments to work together, to put forward plans and to actually have budgets that go across all Departments that tackle those issues?

Tom Scholar: Let me give a first answer to that and then others, such as Mr Kelly, might want to add to it. We go to great lengths in spending reviews to look at issues across the board, in terms of bringing together the various Departments that are involved on any complex issue. One obvious area in which we do that is local government, where we set up a process to make sure we had done a proper analysis and understood the impact of each Department's bid on local government, and were then able to build that into decisions.

Q50 **Kevin Foster:** You have been looking at it through prisms of individual Departments when you tackle issues. Let's take mental health, which is partly Health and partly local government and social care, but also the Home Office would say that a lot of the problems fall back on the police. There are multiple organisations looking at it from their own perspective. Why not have a process that is more about Departments looking out, rather than individual Departments looking in?

Tom Scholar: As we do this, I think we are trying to do two things. First of all, the framework that we operate within, as Mr Manzoni said earlier, is ultimately a departmental framework, because ultimately that is the system that Parliament has set up. The Department is the basic unit, with Secretaries of State and accounting officers accountable. That is the way Parliament voted. That is the framework. However, of course we recognise that many of these issues are cross-cutting, and we have set up in our spending reviews various processes to look at things in a cross-cutting way. I think one of our priorities for the performance monitoring through the single departmental plan, in the time ahead, is to bring the same cross-cutting focus there. I think this should be an iterative and, actually, a circular process, by which improvements and monitoring give us better information about where we are getting value for spending and where we are not. That, ultimately, would improve better allocation.

Q51 **Kevin Foster:** In the recent spending review work, did many Departments put up joint bids? Was that common, or very rare?

Tom Scholar: Departments were given the choice whether to put forward formal joint bids, or whether to work together and cross-refer to their work. There were two formal joint bids, but there were other examples of collaborative working which, even if you did not get a single piece of paper saying "This is a joint bid", meant that the priorities of one Department were able to inform the settlement of another.

Q52 **Kevin Foster:** Given the number of cross-cutting priorities—everything from protection of children to mental health and social care—were you



surprised at there being only two?

Tom Scholar: Looking at this, I ask myself the question “How important, here, is the form; and how important is the content?” To put it differently, had there been four joint bids, or six joint bids or eight joint bids, would the fact of a joint bid necessarily mean a better outcome? I do not know the answer to that. I do know that a great deal of energy went into cross-working across Departments. I am sure that could be improved on, and we will certainly try to improve it.

Q53 **Kevin Foster:** Mr Manzoni, were you surprised that there were only two formal cross-Department bids?

John Manzoni: Let me make a couple of comments on this. First of all, beware trying to run a system of accountability that has multiple axes. Honestly, you have to maintain the clarity of accountability down one axis, which is the departmental axis in our case. Of course you can always look across, through a different lens, and say, “Well, we are not doing that.”

Q54 **Kevin Foster:** What I would say is that as far as the public are concerned there is one—via Parliament, and the money being agreed to be spent.

John Manzoni: And you have set it up via Departments. That is the system that we are running. I think that there are a number of axes. There were taskforces set up this time. Many of the projects that are set up—capital bids, actually, to which money is allocated—do cut across departmental boundaries and look right across. There are several of those going across our system. So I think we have some, and I think that we can always pick up extra areas, to say, “Well, if we look down that lens, we are not getting it.” I am not going to say that there are not those—we have some.

The other thing I would say is that you have to have quite a sophisticated system to be able to operate in more than two or three dimensions or one or two dimensions. The truth is, as we have just discussed, the SDPs were the first time last year, and that was down one axis. Now, the problem statement is not the difficult bit; getting it done is the difficult bit. Teaching a system to plan, to understand what planning means, to allocate the resources—that is the difficult bit. There is a natural pace at which the system can move from, not a standing start, but from SDPs bringing all these things together, to a highly sophisticated planning process where we can predominantly have one axis but many other cross-cutting axes. So there is a pace thing.

Q55 **Chair:** While we are on the subject of cross-cutting, there are these Cabinet Sub-Committees—these taskforces that have been set up. I think they are called implementation taskforces. Are they meeting? Perhaps Mr Quinault can explain.

James Quinault: Yes, they are. There were 11, I think, prior to the change of Prime Minister. There are now seven. They each take a cross-cutting issue of implementation that involves several Departments across Government. They are meeting regularly to drive those, to look at the performance data, and to spot and tackle obstacles.



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Q56 **Chair:** What is the difference between them and an ordinary Cabinet Committee?

James Quinault: They are just meetings. What is different is that Ministers and senior officials are involved with that topic around the same table. They meet off the back of a performance pack, which includes information about where matters rest on the performance issues under that taskforce's purview. They are focused on the delivery of a pre-set objective, rather than on the policy discussion of a new goal.

Q57 **Chair:** What level of Minister sits on those? Is it the Secretary of State or a junior Minister?

James Quinault: A couple are chaired by the Prime Minister herself. Others are chaired by the Secretary of State whose Department has the biggest stake.

Q58 **Chair:** So the permanent under-secretary is not sent along to do that?

James Quinault: No, it is the Cabinet Ministers and the senior junior Ministers with the most direct involvement in the topic under discussion.

Q59 **Chair:** Do they publish anything about their deliberations?

James Quinault: Their terms of reference are published.

Q60 **Chair:** So any decisions or issues would be fed back to the lead Department? If there was a concern about performance, where would it go?

James Quinault: Decisions taken are fed back into the system in the normal way.

Q61 **Kevin Foster:** We have been hearing a few comments about pace. How many years are we talking about before the next spending review? Will there be one or two years for some of these changes?

John Manzoni: We plan to do another round of SDPs in the early part of next year, ready for the Budget. We will then do it again the following year. They will get better and better. As and when the Treasury decides that it wants to do a spending round, we will be all the better informed because a rolling planning process will be flushing out the tensions and issues. It will be a much better informed process.

Q62 **Chair:** Sir Amyas Morse.

Sir Amyas Morse: If I am right—I think this is what Tom Scholar and John Manzoni are saying—we have four years until the next spending review. Is that right?

Tom Scholar: The date has not been set yet. In the previous Parliament there was one in 2010 and another in 2013. If the same model applies, it would suggest 2018.

Sir Amyas Morse: All I was trying to get to is to think about when the spending review might be, and what might be in place before it or at it. I



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am very hopeful that you can offer some commitments to having the SDPs at a mature state where the resources are very clearly associated with the outcomes, where there is a relatively mature cross-cutting method of specifying shared objectives against resources, and where you look carefully at what you want to achieve in the spending review and consider how it accommodates some of the multi-year projects. The Government seem to have many multi-year projects nowadays.

I am not trying to put words in your mouth, although it may sound a bit like that. I want to be clear about when we will reach something that we can all look forward to.

Chair: You have a chance to satisfy the Comptroller and Auditor General—and the rest of us—here in person. Good luck.

Tom Scholar: The direction is clear; it is exactly the one you described. I hope that has already come across in what we have said. Let us not understate the task. It is a big task. We have a couple of years—let's say that for argument's sake—to do that, although it might be a bit more or a bit less. I am not able to say today when we think we will be ready, but it is very much the central focus of our efforts and those of our joint teams working on these things. We should continue to discuss this, and I hope that we get the advice and expertise of the NAO as we go along that path.

Q63 **Kevin Foster:** How confident are you that the current way of doing a spending review—to set Government spending for four years ahead in an 18-week period—is the best way?

Tom Scholar: The 18 weeks of the spending review are, of course, not the only part of the process. In a sense, it is the last sprint round the track on a 10,000-metre race, because a huge amount of work goes in before that final period. That is certainly how we are looking at it now. As I said, we are fully engaged at the moment in the business of improving the monitoring of performance and spending, bringing the monitoring of performance and spending closer together, having a better sense of value and looking at arm's length bodies, cross-cutting issues and all the things we have been talking about. The precise purpose will be that when we enter the final sprint—however much time we are given; I do not know whether it will be 18 weeks, or longer or shorter—we are completely ready for that. Just as importantly, we want Departments to be completely ready, and we want to have a common shared view with Departments on performance, value and all the things we have been talking about.

Q64 **Kevin Foster:** I am conscious of how the spending review is published, and all the things in the Chamber on the day. Can you give me an example of how you are trying to make it more about business as usual, in terms of Departments reviewing spending and how the taxpayer can get the most bang for their buck, rather than the grand-slam approach—in other words, business as normal, not just looking to get to a point?

Tom Scholar: I think it is in the nature of Government that the spending review—the event and announcement—is, by definition, a major political moment in the political process. Setting out the plans of Government for



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the next four to five years is also a political event and a political process. That is as it should be. Our job, as officials, is to give the Government and Ministers of the day all the information they need on manifesto priorities and other particular ministerial priorities, as well as on the full range of business as usual and the statutory responsibilities of the Government, so that they can make those choices in an informed way.

- Q65 **Kevin Foster:** I fully accept what you are saying. That is what this process is about—making informed decisions about where taxpayers' money should be allocated. Are there ways we could have more of an ongoing sense of challenge in the Departments, rather than wanting to get over the line in terms of spending agreements or settlements for a spending review, challenging day to day whether Departments are delivering the biggest bang for the taxpayer's buck?

Tom Scholar: That is essentially the work that Cabinet Office colleagues do, in conjunction with the Treasury. The Treasury is particularly looking at in-year expenditure performance and the Cabinet Office is particularly looking at performance, but we have the same information available to us, and we see the single departmental plan as the vehicle for doing that.

- Q66 **John Pugh:** Gentlemen, I have a view that you share an agenda—a platonic ideal model of government—whereby Departments industriously put together their single departmental plans and integrate them collectively. Those then go forward to the spending review, where they are trimmed, modified, endorsed and possibly also challenged. Then it is all in good shape for the rest of us to scrutinise the outcome. Is that what you are all aiming for?

Tom Scholar: Yes.

- Q67 **John Pugh:** Right, good. Can I put to you as a counterpoint the excellent notes given to us by the NAO? They say: "Previous systems have not lasted longer than the government, or the ministers, that created them and there is a risk that the same could be true of SDPs." Can you give us a clear idea of what you think makes up a good SDP? I thought about this. Clearly, you want to put in the Government's manifesto commitments, but not all of them are as firm as others, so you may want to cross-reference them with the Queen's Speech and stuff like that, or it may depend on what the Secretary of State at the time decides ought to go into them. What I want is some feeling from you as to who owns the SDP and where the genesis of it is.

John Manzoni: The owner of each SDP is the permanent secretary of the Department whose SDP it is. The SDP is basically a business plan. It brings together the outputs with the inputs and it figures out how it is going to meet its priorities, so inside that will be a combination of—

- Q68 **John Pugh:** Let me stop you there, Mr Manzoni. If the Secretary of State, having just been appointed by the Prime Minister, got into his office and was immediately told, "The plan for this Department is mine"—the permanent secretary's—wouldn't there be a certain amount of inherent tension?



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John Manzoni: Forgive me: I am just not used to—I apologise; of course it's the Secretary of State. [*Laughter.*]

Chair: The cat's out of the bag there!

John Manzoni: In some ways—this goes to the second part of your question—putting together a sensible plan for running a large organisation with limited resources to deliver specific outputs is something that, frankly, all the officials in that Department need anyway. There are obviously nuances about a particular Government and how they choose to articulate their commitments or priorities, but the basic fundamental of putting together a business plan saying, "I have to deliver a certain number of outputs with a certain amount of inputs" is something that should be lasting. The extent to which we say, "Well, actually, now we need to completely throw it away and have some other thing"—that is why we have had a number of different models. Hopefully the SDPs say, "This is a business plan." We don't need to call it anything other than a business plan that links outputs to inputs. We might indeed need to change how we report them with a different Government and so on, but that is why I believe these ought to be lasting. The point is, we have to build our expertise in the system to do just that.

Q69 **John Pugh:** So am I right in thinking this? It is an operational document, certainly, that the Department has to work with. It will contain a lot of what you can call standard housekeeping stuff—the Ministry of Defence has lots of exciting decisions to make about Trident, but it still has to get troops with the right number of boots and all kinds of basic things like that. But it is obviously something that is going to evolve, in consultation with the politicians who happen to be in place at the time, as well. Okay?

John Manzoni indicated assent.

Q70 **John Pugh:** I am fairly clear on that. Can we then move on to the second stage, which is when the SDP meets the spending review? Maybe the Treasury will want to come in here. There is actually an element of discord in the Report on the spending review where the NAO writes: "HMS Treasury has asked us to record that it considers the spending review process is effective in prioritising resources and delivering value for money. It does not agree with a number of the NAO's key findings including in relation to joint working across departments, consulting with experts and longer term thinking." Can you enlarge on that paragraph?

Tom Scholar: Certainly. It is effectively a glass half-full/glass half-empty issue. We had a spirited set of discussions with the NAO during the preparation of these Reports on that. We agree with the recommendations of the NAO in terms of the direction that we need to go in, and I think I have said that already. Where we had a bit of a difference of view—I would not want to overstate it; it was a difference perhaps of emphasis—was on how well we were doing already under those three headings. I think the NAO say elsewhere in their Report that the spending review is an effective process for allocating money. We certainly accept that there are ways in which it could be more effective, and I have referred to a few of



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those. So we would like to work very much with the grain—with the spirit—of the Report and look at how, through all these processes, we can improve something that is already, we feel, quite effective and stands good comparison internationally.

- Q71 **John Pugh:** In terms of getting the departmental plans through the Treasury—the bidding process and all the argy-bargy associated with that—how do you think that aspect of the process could be improved? It does say somewhere in the Report that some of the Departments investigated by the NAO said that a good relationship helps. A good relationship might be an all-too-cosy relationship. What should an effective relationship look like, in this case between the Department trying to push forward and define its plans, not all of which will have financial consequences, and the Treasury, which obviously may be aware of wider and broader concerns?

Tom Scholar: I would distinguish here between monitoring performance in between spending reviews and the activity at the spending review itself. It is in the nature of a spending review that a Department usually does not get everything it bids for, because there is a constraint on resources.

- Q72 **John Pugh:** Then it would have to modify its plans, wouldn't it?

Tom Scholar: Not necessarily, but quite possibly, depending on the decisions made. I think a good relationship in a spending review is one where, regardless of the decisions taken, both parties to the negotiations—both the centre and the spending Department or Departments—believe that sensible decisions have been taken on the basis of agreed evidence and analysis of value for money. There might be decisions to be made about relative priorities and allocation of resources, and ultimately that is a political matter for Secretaries of State and the Chancellor and Prime Minister to decide, but those decisions have been soundly based on agreed evidence and analysis. Effectively, that is what you are aiming for.

- Q73 **John Pugh:** There is a concept out there of a Star Chamber-like arrangement, but you offer individual Departments tools to help them deal with their budget better, don't you? Am I right in thinking that?

Tom Scholar: One very important priority for us is the financial management review, through which we are trying to improve the capability of the finance profession right across Government and develop new tools that Departments can use, working with us and by themselves, to assess value and look at options for improving value. That is central to our mission.

- Q74 **John Pugh:** One of the things that Francis Maude was very proud of at the Cabinet Office was having got individual Departments to sign up for contracts for mobile phones and things like that, which saved shedloads of money. Is that a discussion had only at spending review time, or does it go right throughout the year? I think Mr Manzoni's Department—

John Manzoni: It is going on all the time. This is the point, I think. The introduction of these SDPs annually allows us to continuously understand,



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refine and adjust priorities, tensions and pressures. It allows the Treasury, the Cabinet Office and the system to be more aware of where those pressure points are. It allows a continuous examination. It is not as though there is a spending round and everyone goes away. In the case that you have just given, the commercial teams across the system are looking every day for better value in contracts. When a contract comes up for renewal, is there a better way of doing it? We are focused on, in this case, efficiency, and on making Government more efficient and effective. That is happening all the time.

- Q75 John Pugh:** Okay, so we've got to the stage where the SDP has evolved and become mature. It has then been trimmed and discussed at spending review time, and it is now progressing. We get to the holy grail we all want to get to, which is when it can be adequately scrutinised and judged, and we can evaluate the Department's performance. How near are we to that stage, and by whom do you think it should be discussed, evaluated and assessed?

Tom Scholar: Both this Committee and departmental Select Committees have the ability to scrutinise Ministers and officials—

- Q76 John Pugh:** They don't really have data, though, do they? If you look at what Estimates day provides in the way of useful information, it is very difficult to evaluate the ongoing bread and butter work of a Department, isn't it?

Tom Scholar: There are three main routes through which information is provided. The first is through Estimates. I think there is a discussion in another Committee later this week to look at how that process can be made more vivid and meaningful for Parliament and taxpayers. The second process is the annual report and accounts that each Department provides, and that also includes a wealth of information. The third process, which is still relatively in its infancy, is the single departmental plan. Taking those three together, I would hope that there would be a great deal of information to meet any reasonable requirement. As I said at the beginning to the Chair, we certainly need to look at the information provided publicly through the single departmental plans, and ensure that it is fit for that purpose.

In a sense, the single departmental plan is a forward-looking, multi-year evolving statement of priorities and objectives. The annual report and accounts is a backward-looking review of performance against those objectives. The Estimates is a rather more technical, but extremely important, exercise that gives rise to the vote by Parliament to authorise the money that is spent. They each achieve slightly different purposes but I would hope that, when taken together, they provide all the necessary information.

John Pugh: When we finally get to the end point that we want to reach, we should be able to say of an individual Department not that we disagree or support its policy, but whether it has managed its resources effectively.



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Tom Scholar: Yes. At any point in time, you would be able to look at the latest report and accounts for the latest financial year, and the current SDP that sets out what the Department is doing and how it is trying to do it.

Q77 **John Pugh:** How would one get around the hurdle—if you wished to defend your Department, or not to expose your Department too much—of making your SDPs so vague and amorphous that you will always meet them, whatever data are churned out?

Tom Scholar: There are two routes for that. First, the Cabinet Office has a central unit that is driving the development of the SDPs and exercises quality control over them. My colleagues might want to say something about that. Secondly, if one slipped through the net and did not meet the required standards, I would expect there to be public and parliamentary comment to that effect. One thing that we will look for, and that you will look for, in a competent Department running its affairs properly is a decent SDP that absolutely allows people to assess performance.

Q78 **John Pugh:** I have one last thought on that. Suppose the SDP is thrown out of kilter by some errant or plain unexpected initiative. Say, for example, the Prime Minister announces one day that we need more grammar schools or that the Government decide, apropos of nothing, not to make as many schools academies as was previously planned. Whatever SDP you have and whatever Budget agreements have been made, at that point—I am not saying that all bets are off—there ought to be some way in the system to identify what that decision did to other areas of the Budget and so on. Am I right in thinking that that is an aspiration too?

Tom Scholar: Absolutely. Clearly, it is a fact of life that things in the world change. Either events change and Government Departments need to respond to them, or priorities change and new ideas come along. None of these plans is set in stone. The same is true of any business plan in a normal business. Everyone operates in an environment that changes.

You would expect, when one of those events comes along, a Department to make its own internal assessment of how to adjust its business plan to continue to deliver all the things it has to. At the moment, we are looking at an annual exercise of going over the SDPs again, with Departments taking the lead but discussing them with us.

It would not be sensible to require every Department to update its plan every time something changed, otherwise they would never do anything else, but it needs to be—

Q79 **Chair:** Can I chip in there? Mr Manzoni said that earlier about the annual review, but they are supposed to be live documents. Dr Pugh picked up on a good example of something that could shift the emphasis. Elections come and shift the emphasis, even though it will be business as usual for lots of areas of Government. Can you give us some examples, with SDPs, of anything that has been added or taken away as a result of some shift along the lines that Dr Pugh highlighted? Who wants to go first? Mr



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Manzoni, give Mr Scholar a break for a minute.

John Manzoni: This is always a trade-off in any large organisation that is trying to run itself. You can't be forever planning. On the other hand, an annual cycle of a more fundamental look—we have a three to five-year spending round and an annual cycle of plans, which sets up a reasonable cadence of structured process. Of course, when something big comes along we will have to have another look at it, but one should not be dogmatic about it.

Q80 **Chair:** Can you think of anything that has been added or taken away from an SDP because of something big? The Ministry of Justice has everything changing at the moment. There must be some shift to explain that.

James Quinault: I can give a couple of examples of cross-cutting things that have come in later. Large landowning Departments have agreed to targets for public sector land release over the Parliament. Those targets have now been entered into their plans, alongside all the other things on their to-do lists. Equally, all Departments have signed up to a contribution to public sector apprenticeships, which have equally gone into their plans—they are aiming to record it alongside all the other things that are laid upon them.

Q81 **Chair:** What about anything that has been dropped? Can you think of something that has been dropped? That happens because the Government changes its plans. Ministers change, which sometimes means that something gets dropped.

John Manzoni: The big elephant, of course, is Brexit and what is going to happen there. We will have to have that conversation in due course.

Q82 **John Pugh:** The key point we are concerned about—in political life you accept the fact that there will be wildcards and that things will change when circumstances dictate that you take a different approach—is that, in so far as the theory is that the plans determine to some extent the shape and character of the spending review and the resources allocated, it ought to be clearly traceable how the new initiative has impacted within the financial envelope of a Department. Ideally, an SDP should reflect that. It should be highlighted as a variation in the same way as supplementary Estimates and stuff like that, which occur over the whole Budget.

John Manzoni: I think that's true. This whole process will result in a more continuous dialogue about that.

Q83 **Karin Smyth:** My apologies. I went to the Chamber for an urgent question, so I apologise for missing some of the session. I looked at the Department of Health SDP, which is called not a "single departmental plan" but a "shared delivery plan"—it is the only Department to call it something different. I don't know whether you have a comment on that, but it starts with a very on-message vision about a strong economy, the Government investing £10 billion—we can leave that there, as our sister Committee will investigate that £10 billion a little more tomorrow—and improving access to free and high-quality healthcare, and so on. It is



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rather a wish list. When you look at what we are doing under public health, there are no measures or anything to suggest how people are working together. There are no shared objectives.

The Marmot review in 2010 suggested that lost productivity from health inequalities could be up to £33 billion, lost tax revenues could be up to £32 billion and direct healthcare costs might be £5.5 billion. The coalition Government had a joint committee on public health, which looked at the issue of how you can deliver that level of savings. The joint committee was abolished in 2012, before all our time. Given the level of investigation into the accounts of the Department of Health, the real problems with provider sector deficit running at about £2.5 billion and the level of savings that can be achieved from a cross-cutting look at health resources—even the figure of £5.5 billion dwarfs the provider sector deficit—in the absence of a cross-departmental Committee, how can you really make the document that the Department of Health has produced include measures that would allow us to really focus on potential benefits from public health savings?

Chair: We do not expect a detailed answer on the health bit, but we want an answer on the principle. Ms Smyth has picked on health, but we have been looking at other SDPs. If we get a good answer on this, you might be spared the other departmental questions.

John Manzoni: Without going into the specifics, I think the bit that is new in the SDPs is the bringing together—it is particularly acute in health, but there are other areas and Departments where the same exists—of those Departments which are under extraordinary efficiency pressures at the same time as meeting extraordinary outputs. The SDPs shine a light on where those efficiencies come from. How exactly are we actually going to create the efficiencies in that Department at the same time as we meet the objectives?

Nobody else, except for the Department, can really judge whether that is a good assessment of whether it can do all those efficiencies and meet the outputs, but the whole point of the SDPs and the process itself is that it creates the dialogue and discussion within the Department about how those things will actually be met. How are we going to meet those? Then we will see, as a result of that, whether we have put a Department into a completely impossible decision that just will not work.

Q84 **Karin Smyth:** Can I stop you there? Isn't the issue with these that they are not just looking within a Department, but that the principle is that they look across Departments, with a view from the Treasury to do exactly that—to pick out from each Department where there are potentially huge savings that perhaps the individual Departments are too siloed to look at?

John Manzoni: We may have had this conversation earlier.

James Quinault: I am interested that you picked on public health, because we felt that that was one of the places where the framework was relatively strong. The Government publishes outcomes frameworks for



public health across a range of indicators, including childhood obesity. It publishes figures for children at ages four and five, and ages 10 and 11. It has a stated objective to reduce the prevalence of childhood obesity, and it has set out measures in both this plan and other policy documents for how it intends to achieve that. I think here we would say there are clear measures and clear outcomes to be tracked over time, against which the impact of those measures can be challenged.

Q85 Karin Smyth: We probably don't want to go too far down that road, because they are not all the responsibility of the Department of Health, which is the issue, isn't it?

James Quinault: No, indeed. The measures are cross-Government ones, and some of them belong to other Departments, but this is one place where we thought the framework is reasonably clear and outcome focused.

Q86 Chair: Isn't that one of the problems? Ms Smyth has done a neat juxtaposition of the potential savings in public health and the challenges in the health budget, which we won't revisit, and the fact that actually, the savings would not all be banked by the Department of Health, as she has highlighted.

Julian Kelly: Often, and even in the last spending review, there will be areas where you are putting money in—mental health might be an example where we might inspect in due course; I don't know—to have a lower benefits bill. Inasmuch as we have the evidence to strongly track that, then we will try to build that into our forecasts for welfare spending. That all then has to be signed off by the Office for Budget Responsibility to say that they think the evidence is strong enough to justify it. So we do look at exactly those. In some places, the evidence is strong, and you can argue it and almost build it into plans; in some, you are investing in it with expectation, but the evidence isn't strong enough to definitely build it into plans; in some—public health might be a reasonable example, in certain cases—it will take time for the investment to pay off. You would not expect to see a change in budgets in this Parliament, but you are keeping the investment in the expectation of what you will get further down the line.

Q87 Chair: How can you track that if you are looking, as Ms Smyth—one of our mystery shoppers on the Committee today—has done? How would we or a member of the public be able to know that that is being followed through? How will Ms Smyth be able to check in five years' time what is happening to the public health budget? Mr Scholar?

Tom Scholar: Let me give an example of what we are talking about here. That would be the decision in the last spending review to set up a disabled facilities grant, a fund which invests capital spending in making changes to the homes of disabled or elderly people, specifically so they can continue to live in their homes and not go into care. This is capital spending by the Department of Health, the purpose of which is to deliver a stream of savings to local government running costs, because they will have fewer people to take into care. That decision was taken in a cross-cutting way in the spending reviews, looking at the two budgets in question. At the



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centre, monitoring it, we must now look at both the capital spending going out of the Department of Health and its impact on local authorities. We need to do that for performance management purposes, and we also need to find a way to report it, whether that is through the SDP, annual reports and accounts or, probably, both, which will enable you to follow and track it.

- Q88 **Karin Smyth:** Something else the Committee has looked at is the diabetes strategy, which is so crucial to the success of the obesity strategy—for example, it is what NHS England has predicated much of its savings on. Given the fact that some outputs are reported, over time how would you look at, for example, the diabetes strategy when it starts—it has been delayed—compared with the Department of Health commitment to start its savings plan from last year? There is a drag there, isn't there? How would you tie up those two things?

James Quinault: On something like that, which is complex and where tracking the effects seems to rely on a range, it would tend to be done by evaluation. There isn't one programme that allows you to see all the savings occurring. One thing that we do between spending reviews is work together with Departments on a joint analysis of where our understanding of value in the system is weakest. We then work together through a programme of evaluation to try to address those value maps of where our understanding of value for money is weakest.

- Q89 **Chair:** The Comptroller and Auditor General is itching to get in on value maps.

Sir Amyas Morse: This isn't meant to be unworthy, but is it sometimes the case that you calculate what you think the saving will be and just take the money out of budget? That's not an unheard of experience, wouldn't you say? Sorry, it's a great discussion but—

Julian Kelly: I won't talk specifically for the diabetes strategy, because I do not think we necessarily did make a specific allowance when we were talking with the Department of Health about how much the diabetes strategy would make a difference. I think that will have a longer-term payoff in this Parliament.

To return to the earlier conversation about the NHS's finances, the things we are tracking now are the major programmes that we think will have an impact on spend, which includes things such as workforce levels, where you are going on pay and the total drugs bill. In the immediate term, we think that those are driven by a different set of considerations. There is clearly a thing where you're looking at what is happening to demand, whether there are particular sectors that are driving demand and whether that is leading to pressures—financial, performance or otherwise. You are sort of keeping a track of that to say, "Do we need to respond in some way?" That's the ongoing conversation that we are having with the Department and the NHS, month to month and week to week.

- Q90 **Karin Smyth:** That's why it is so important to us, isn't it? As we heard in the Committee last month when we were looking at the Department of



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Health accounts, the input of the so-called £10 billion and the efficiency savings of the £20 billion are predicated on a number of things. A substantial contribution to that is the prevention of ill health and the reduction of demand, particularly on the provider sector, around alcohol presentations, obesity and mental health, as you've said. Tying up those two things is important for the conversation we are also having, in this Committee and elsewhere, about the Department of Health accounts, which is why it would be good to see it brought together. The plans are a good first step, as we have discussed, but that is a direction in which they could go further, isn't it?

Julian Kelly: It is. What is the thing you are constantly trying to improve? It is turning the aspiration into the plan into the delivery, isn't it? It is about how we continually improve that thinking and the degree to which you can see detailed plans and follow them through, not just for this year but the year afterwards and into the medium term.

Chair: We are approaching our last 10 minutes. Phil Boswell, I am sure you will proceed on that basis.

Q91 **Philip Boswell:** Following on from Mr Pugh's earlier questions, Mr Manzoni, you described SDPs as a business plan, effectively. Do most Departments consider SDPs as an afterthought, sculpted to fit a budget rather than establish one, because it would appear that the current framework for managing spending reviews and monitoring performance is not sufficiently integrated or continuous? The NAO found a disconnect between the spending review process and the development of single departmental plans, with much of the detailed thinking for departmental plans taking place long after spending reviews. So, how can any retrospective process affect best value?

John Manzoni: As Tom said right at the very beginning, this was the first time that we did the SDPs—this year—and it was a spending round and the first event of the SDPs. And it's varying across the system, but there are certainly quite a number of the departments that have a much clearer, more detailed perspective, having done the SDP now after the spending round, and I now think that we'll be able to progressively bring these two things as one. That is indeed our joint intent, to join up these processes, as I've described, in a cadence of a sort of longer-term spending round and an annual cycle of SDPs.

I don't deny that these two things weren't coincident this year, but as we think about them going forward our objective is to bring them closer and closer together.

Q92 **Philip Boswell:** Okay. If SDPs are the answer, there are clearly issues being raised about short-termism and transparency in this Report. What is the position of the Cabinet Office and the Treasury on whose decision it is to make SDPs the process going forward? Do you buy into it, do you believe it will solve it? Are you both committed to retaining this system in the face of any questions or challenges from the Government of the day?



Tom Scholar: We are totally committed to it; we are working together on it. The SDP is not an end in itself. It's a tool; it's a vehicle, and it's a way of supporting good-quality conversations between Departments and the centre.

To pick up the interesting insight in the NAO Report, looking back over previous attempts to do this and how they've tended to be changed when the Government change, I think part of our ambition here should be exactly what the NAO says, which is to devise a system which is so useful and so valuable in planning public spending that it's completely robust to any change of Government and can accommodate changes of policy priorities within that. That's what we need to try to do, I think.

Q93 **Chair:** Just on that point, can I ask a question? If you were a new Minister coming into a new Department, as you've had quite a lot over the summer, would they be able to see down their lines of responsibility all the relevant heading and relevant detail of that Department's SDP, and what every team in their line of view was working on, what it was costing and where it was at?

John Manzoni: Depending on the SDP. Many of them—

Q94 **Chair:** Is that the aspiration?

John Manzoni: That's the aspiration, yes.

James Quinault: That is the goal. Previously, they might have had to look at several different things, on account of what the Department was doing on its new policy priorities: something about the housekeeping; and something about those cost-cutting duties laid on the Department, like the ones I mentioned on apprenticeships and on housing. What we've tried to do is to bring all those into one place, so that you have a single departmental plan capturing the complete to-do list.

Q95 **Chair:** And it would be in a form that Ministers could say, "I want to see it", and they would be able to get it? Or would it be presented to them—is that the aim?

James Quinault: Yes.

Q96 **Philip Boswell:** Following on from Mr Foster's earlier questions, in relation to two formal joint bids across all departmental submissions received—same number as 2010. In terms of this new initiative, are you looking at interface management or key performance indicators? Is it carrot and stick? Is the process evolved enough to determine what will work? What's the metric by which you measure success in respect of cross-Department working?

John Manzoni: I am not sure there is a single metric. I mean, I think your questions this afternoon have sort of pushed on, "How do we continue to improve the cross-governmental, cross-departmental aspects of this?" My response continues to be that, to some degree, this is a discipline that is in some ways new to Government, so we've got to build that muscle a little bit. We do have cross-departmental processes—both



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taskforces that we've talked about, the spending review that we've talked about, and I think we ought to continue to aspire to build those into our SDP annual process, as well.

Unless one of my colleagues does, I don't have a metric straight off the top of my head that says, "Here's how we'll measure that," but we ought to be in a stronger and stronger position as we go forward. As I have said, there are certain things happening underneath about how we deploy skills across the civil service on the most critical issues. Actually, that is the most important thing in my mind. Somebody mentioned the contracts earlier. How do we make sure that we have the right skills on the most complicated contracts, which by the way directly affect policy outcomes? There are examples of this every day. How do we make sure that—

Philip Boswell: Mr Manzoni, that sounds reactive rather than proactive. Something that we will touch on later is Brexit. We ought not to be blindsided by this, and that is very much about being proactive about it. I'm sure we will come on to that later, but thank you.

Q97 **Chair:** On that issue, you have anticipated a question. You talked about measuring outcomes. As we have seen with some of the previous iterations, there is a danger that this is about progress against certain manifesto-type pledges rather than about looking at whether it actually delivers—this goes across all Governments—for the people for whom it was intended to deliver. You have given an example of what you want as an outcome. Well, to a degree, it's an internal outcome, I suppose; it's about skills in the civil service. Do you have any other examples between you of outcomes that you want to make sure are delivered through the SDPs and that you now have a sight line on that you didn't before? We are talking very theoretically here. I'm just thinking that if a tax-paying citizen is watching or tuning in to this, the idea seems a bit esoteric. Ms Smyth brought it down to earth a bit. Are there any other examples like that that you can give?

Tom Scholar: Going back to the functional question we discussed earlier and the drive from the Cabinet Office to improve the quality of functional spending in various ways, that is one thing we would like to see better integrated and treated through the SDP process in the future. One example there could be looking at the Government estate—the use of the land and buildings that it owns. We already have, I know, a big programme to look at that, but I would hope that the process of looking at and refining SDPs should also help to support that exercise that is already under way. That is one example; I'm sure there are others from the cross-cutting functional area.

John Manzoni: I can talk about the internal functional areas. We have turned around relationships with some of the Government's biggest suppliers that were, frankly, in a disparate sense, at breaking point in a number of different Departments. That has actually been turned around in a number of areas now, by looking right across the system. We now have holistic conversations with some of the Government's biggest suppliers, so that we can add value and partner in certain areas. There are some very



high-profile areas—as I said, these are on policy outcomes—where we can avoid what would otherwise be a real disaster. I think that is going on all the time across the system, and those get bedded in to these SDPs as we go forward. As Tom said, there's property. There's the technology that we deploy across the system that will increasingly be right across it. So these are internal conversations. Then, I believe, we will get to these discussions ultimately. I don't pretend this is easy in our system—it never is easy in a system—but we will get to the conversation that allows resources to be deployed in one place for benefits to be realised in another. The transparency of that and the understanding of that can only come once we are better practised at what we have been describing.

Q98 Chair: I remember that in a session of the previous Committee, when Sharon White was at the Treasury, we talked a lot about how you in the Treasury are watching value for money and calling it out when it is not working. She highlighted, as she was interested in it, the fact that there was some work going on then—I stress it is historical—about classroom assistants and the impact they had on pupils' attainment. We have heard some evidence here about early years education and the difficulty of measuring it as you would in a proper longitudinal study. Is 15 hours going to make the difference in attainment, or does 30 add to that? There is a big debate going on there. How do you watch that, Mr Scholar, from the Treasury's perspective, and are there any areas that you are particularly looking at now and stress-testing to see whether the input from the taxpayer is actually delivering the outcome that the Department set?

Tom Scholar: We look at it primarily through the process that we have been discussing, jointly with the Cabinet Office; they take the lead on performance, and we take the lead on finance, money and trying to put it all together.

Q99 Chair: Right, but are there any specific examples that you are looking at right now, where you're saying, "It looks like this outcome is not actually"—for instance, a smoking cessation programme, which I am using as a silly, small example. If it was a national smoking cessation programme but it didn't show any difference in the drop in the levels of smoking, would you say, "Actually, this isn't very good value for money"? The drop in smoking might just be a cultural shift. I am not saying that is a real example, but—

Julian Kelly: Even just in the health space, the conversation we are having with the Department of Health, to return to public health, is "How do we continually improve the evidence base that supports the interventions?" Smoking may be one, but there are lots of others. The evidence does not always come together in a really hard and fast way, so we are having that conversation with them. On mental health or employment programmes to support disabled people get back into work, we are currently running a number of pilots around the country to test what works. We think if we can find what works, and it is good value and efficient, it will be beneficial socially, in labour market terms and in public spending terms.



Q100 **Chair:** Have you got any examples of things you are looking at? Can you name any examples?

Julian Kelly: We are looking at specific programmes to help support people with mental health conditions get back into work, and we are running a series of pilots around the country to look at how we help disabled people who have been unemployed for a long time get back into work, and we are studying the evaluations of those projects. There are different time horizons here; some require longer-term evaluation work, and some use day-to-day performance management data. It is just about working out which is the right tool for the particular thing.

Q101 **Chair:** Some of these are very long-term. That is one of the challenges, if new Governments come in and SDPs bite the dust. It is a concern for a Committee like ours that we do not have that long view.

I will just rattle through a few other quick points. One is about arm's length bodies. We did a report that showed that a quarter of arm's length bodies were not clear about their roles and responsibilities. Where do they fit in the SDPs? Are you convinced that they and their responsibilities are being covered properly?

Tom Scholar: The ambition is for them to be fully integrated. I think there are some good examples of that from the exercise that was already carried out last year. One highlight in the NAO Report is DEFRA, which did an excellent exercise with arm's length bodies and brought them properly in, but that is not the case in every Report. One of our priority ambitions for the review of them that we are going through is to improve that in the next round.

Q102 **Chair:** I just want to pick up on a couple of points made in the session. Mr Scholar, you talked about the supports that you give finance directors in Departments to go through the spending review process, but nine out of 13 finance directors felt that the Treasury did not provide support to tackle cross-cutting issues. What more can you do to up that level of satisfaction?

Tom Scholar: As I said earlier, we certainly acknowledge that cross-cutting issues are a complicated thing to deal with within the framework that we have. We will try to get better at it, although, as I said earlier, there are a number of examples of where rather good work was done. I think the next phase of this will be—I am sorry to keep coming back to it—through the SDPs and the performance management that takes place through that. If we can get that right, including by looking at cross-cutting issues involving a number of Departments, it will mean that by the time we get to the next spending review we will be starting from a much higher base in terms of shared evidence and shared analysis, but also shared ways of working together. I think that last point is very important.

Q103 **Chair:** It is all a work in progress, we know, and we want to watch that. We said we would just touch on Brexit. Clearly, that is something that has hit the Government sideways on. You have acknowledged to us in a previous hearing that there wasn't preparation within Government for the



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eventuality of Britain voting to leave the European Union. How are you going to make sure that, with this seismic shift in focus for the whole of Government, other priorities aren't sidelined? Does this mean that the annual plans and annual review that Mr Manzoni talked about are going to be very Brexit-focused?

Tom Scholar: When Departments update them, that is obviously a very major new event that needs to be incorporated into them. For some Departments it will mean a rather big change in their plan—DEFRA comes to mind as the obvious one—and for other Departments it will mean a much less significant change, but every Department needs to go through that exercise. Two bits of central exercise are happening to check that the Departments are doing that. One is run by the Treasury and is looking at spending—Mr Kelly might want to say something about that in a moment. The other is being run by our colleagues at the Department for Exiting the European Union, which had already asked all Departments to think about the implications for them and about any issues they would have in the negotiation that is to come. Of course, we now also have the announcement from a couple of weeks ago on the legislation that will be prepared so that on the day of exit everything can take place smoothly from a legal point of view. Again, that will be a large cross-Government exercise looking at all the relevant legislation. Every Department is doing it, and there are these different processes for making sure that it all comes together.

Q104 **Chair:** So how will you make sure that there isn't going to be major deviation from some of the important priorities that are already in place? Let us take the Home Office. Immigration is always a big issue for the Home Office, but it has a different policy focus now. It also has to issue passports and maintain security, all the normal business as usual that most people would expect and want to continue. How are you going to make sure that the work on Brexit doesn't divert attention? We have a slimmed-down civil service with tight financial constraints and this very big programme of work to extricate us from the European Union. There is a real risk, isn't there?

Tom Scholar: Let me say something, and then Mr Quinault might want to say something about objectives and delivery across the board. As you say, it is a major new area of work. The decision to leave has, in one important respect, freed up some resources, which is that the Government was otherwise planning to take on the presidency of the European Union in the second half of next year. That is always a very big undertaking, with the need to run Council meetings and Council working groups and to host informal meetings, and so on. It is both time-consuming and expensive.

Q105 **Chair:** That is a big job, but it is not going to release a huge sudden resource of civil servants able and qualified to do some of this other work, is it?

Tom Scholar: I was just giving an example of one mitigating factor but indeed, as you say, every Department needs to look at its objectives and key priorities and at how to accommodate EU exit within that. EU exit, and



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making a success of EU exit, has been set by the Prime Minister right at the top of the Government's priorities. It is essential work, and it has to happen quickly. It is happening but, alongside that, Departments absolutely need to continue to provide the services that the public want.

Q106 **Chair:** Just to be clear, who will report to the Prime Minister if other things in Departments drop? Will it be down to each Secretary of State? Will it be down to the accounting officers? Who is going to have the overview of what gets dropped, side-lined or slowed down, or whatever, in order to make sure that the resources are there for Brexit?

Tom Scholar: On the system of accountability that we have, each Department is responsible for its own affairs through each Secretary of State and each accounting officer. In terms of connecting it in the centre, I have already mentioned a number of processes that are looking across and trying to join all that up. Of course, there is also the review of SDPs. When we look at the revised SDPs that Departments will be producing, each and every one will have to have a proper treatment of EU exit within it. If in the view of the Department—there is always a challenge process on this—it looks likely to pose a particular challenge to the delivery of some other objective, it will be something that we need to talk to them about.

Q107 **Chair:** How will the public, or indeed the Prime Minister, know that that decision has been made? How will it go up the line or be available in the public domain?

Tom Scholar: We have not yet decided how the review of SDPs is all brought together and reported.

Chair: It is more the things that drop—I touched on that earlier. It is that concern that something as big as this hitting the Government sideways on inevitably will put pressure on resources. Inevitably something will change, or be reprioritised or dropped. It is easier as a politician to go out and say, "We're not doing this because we're doing this", but is it going to be as straightforward and clear as that to the taxpayer?

James Quinault: Just to give a couple of examples from this sphere of how the plans are being used for real, the analysis of what each Department has on, and how that might be affected by Brexit, took as its starting point the single departmental plans. Now, as the high command of the civil service decides whether capability is in the right places to do this, from a skills and a people point of view, it is using the plans to inform its judgments about that. So here is one place where they are genuinely being used for real planning right now.

Chair: I do not think we will be the first Committee to ask about this. I will ask Philip Boswell to come in on the same subject.

Q108 **Philip Boswell:** This is about something I touched on earlier, in terms of being proactive. Given that the Brexit vote alone equates to the pound falling through the floor—we have not yet pressed the button and then we have two years before the UK actually leaves—what are you doing to



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mitigate or anticipate? I assume you are going to have an inside track at Treasury on the impact of Brexit. In terms of risk management, it is about risks and opportunities. Do you see, or have you identified, any opportunities from Brexit?

Tom Scholar: We discussed this briefly the last time I was here. It is obviously an issue that goes way beyond the Treasury; it is right across the Government. One obvious example would be the potential for new trade agreements with dynamic economies elsewhere in the world. We have a new Department set up—

Q109 **Philip Boswell:** Are those newly discovered economies around the world we didn't know existed? I thought they were already there.

James Quinault: Trade agreements with economies with which we do not currently have trade agreements. One example would be China. There is no EU-China trade agreement. China has trade agreements with other economies and if the UK is outside the EU, with its own trade policy, that would be one example. There are others too.

Q110 **Chair:** I want to ask one final question. We recently—in February—produced our report on accountability for taxpayers' money and we are still waiting for a response to that.

Tom Scholar: We owe you a response on that. I wrote to you, I think, towards the end of July to apologise for the delay in replying. The reason was that some of the recommendations needed a bit of discussion, not just within the Treasury and the Cabinet Office but with some other Departments too. We are extremely focused on that and very keen to get you a reply as soon as possible.

Q111 **Chair:** We appreciate that a new permanent secretary will want to look at it closely—I hope I read that positively. Anyway, I am giving you the free run at the moment, Mr Scholar, while you are new, but I think that 27 October is our next Treasury minute deadline. Is there any chance we will have it by then?

Tom Scholar: We will strain every sinew but I cannot guarantee—

Q112 **Chair:** I was just wondering whether we will or we won't. If you can give us an indication, perhaps writing to us again with an estimated, or even a definite, deadline, that would be very helpful.

Tom Scholar: I will do.

John Pugh: Put in the Treasury's SDP from now on.

Chair: Responses to Committees—perhaps that should be in there too. This has been a longer session than we intended because we are very interested in this and it is very important to monitor the spending of taxpayers' money. Thank you very much for your time, and thank you to Mr Scholar and Mr Kelly as well for their additional half hour before the meeting. Our transcript will be up on the website, as ever, in the next couple of days and they will be sent to you. Our report will be published, we hope, before Christmas.



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