HOUSE OF COMMONS

# Public Accounts Committee

## Oral evidence: Improving the accounting officer assessment process, HC 43

Monday 18 July 2022

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Watch the meeting

Members present: Dame Meg Hillier (Chair); Olivia Blake; Dan Carden; Craig Mackinlay; Sarah Olney; Nick Smith.

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### Witnesses

I: Sir Tom Scholar, Permanent Secretary, HM Treasury; Cat Little, DirectorGeneral for Public Spending, and Head of the Government Finance Function, HM Treasury; Alex Chisholm, Permanent Secretary, Cabinet Office; Nick Smallwood; Chief Executive, Infrastructure and Projects Authority.

Gareth Davies, Comptroller & Auditor General, National Audit Office and David Fairbrother, Treasury Officer of Accounts, were in attendance.

### Report by the Comptroller and Auditor General

### Improving the Accounting Officer Assessment Process (HC 65)

### Examination of Witnesses

Witnesses: Sir Tom Scholar, Cat Little, Alex Chisholm and Nick Smallwood.

Q1 **Chair:** Welcome to the Public Accounts Committee on Monday 18 July 2022. Today, we are looking at something called the accounting officer assessment. These are documents put together by the accounting officer, which is nearly always the Permanent Secretary, in Departments to approve major projects. They have to measure that project against four criteria, which are value for money, feasibility, regularity and proprietary. They have to really assess that that project is fit to go ahead. Most of these are then published; if some are redacted, a summary is published. We have concerns about how some of this works, though they are very useful documents. They were set in place by the Treasury five years ago to try to improve the handling of spending in Departments against the managing public money principles. It is a really important document for holding Government to account on how money is spent.

We are delighted to welcome our witnesses today. Sir Tom Scholar is the Permanent Secretary at the Treasury. Cat Little is the director-general for public spending and head of the finance function in Government. I should say that she is director-general for public spending across the whole of Government, but based at the Treasury. Alex Chisholm is the Permanent Secretary at the Cabinet Office. Nick Smallwood is the chief executive of the Infrastructure and Projects Authority, which is the body that oversees most major projects in this country.

Before we go into the main session, Sarah Olney is just going to ask some questions about the events of today.

Q2 **Sarah Olney:** Mr Chisholm, because we are in here, we are missing the urgent question in the Chamber about how the Government have prepared for the heatwave today and tomorrow. I just wondered if you could give the Committee a quick update on what the Cabinet Office has been doing to assess the risk and to put some plans in place to help manage them.

***Alex Chisholm:*** I have just a few words, and happily so. As you say, there is a question being answered at the moment, and I do not know if you heard the Chancellor of the Duchy of Lancaster on the media this morning as well, who was describing a number of those plans that have been taken.

COBRA has met on a number of occasions in the last few days in preparation for this, looking at the potential impacts across the transport system, education, health and delivery of public services et cetera, and has given advice and guidance where necessary. At the moment, however, it seems to be going as anticipated and no major problems have materialised, but we continue to monitor the situation closely.

Q3 **Sarah Olney:** Can you tell me what it is that you have identified as the major risks? This is a bit of uncharted territory for everybody in terms of the temperatures that we are looking at tomorrow, potentially, and I just wondered if you could tell us what COBRA has identified as major risks.

***Alex Chisholm:*** It is uncharted in this country but also very common elsewhere. In terms of the potential impacts, one of those that we are focused on is the impact on the rail system, because the heating up of rails makes a difference. You have seen that, on a precautionary basis, a number of services have been reduced and others are getting slower, so that has a big impact on those services that depend on that.

In terms of the extra heat, again, if you think about things like IT systems and server rooms, it is very uncommon to have temperatures of this very high level in the UK, and so, again, all people involved in those type of services would have been busy checking and making sure that those services are able to continue. We have been doing that in the Cabinet Office, as have other Departments. Those would probably be the main ones.

There is an important public health element to it, especially if it is sustained. It is important for people to try to stay out of the heat if they can and to take extra water. If people are particularly vulnerable, they may need some extra support.

Q4 **Chair:** I am sure that we or one of our sister Committees will be looking in the future at how the country has dealt with this. Again, before we go into the full main session—and I do not know if it is Sir Tom or Alex Chisholm—we have, at the moment, a caretaker Government and a Prime Minister who we know will not be Prime Minister by 5 September, or maybe sooner. Who knows? What licence do the current Prime Minister and current Government have to spend money? Are there any brakes on spending because it is an interim Government?

***Sir Tom Scholar:*** Guidance has been issued on the conduct of business during this period, which is Cabinet Office guidance, following the discussion at Cabinet two weeks ago. Alex may want to add to what I say, but the principles are fairly clear. As you say, there will be, in September, a different Prime Minister who will appoint his or her own Cabinet, so that was recognised in what the Cabinet said two weeks ago.

At the same time, it is a Government halfway through the Parliament and halfway through their mandate. There is a programme of Government. There is a legislative programme, and the Cabinet was clear a couple of weeks ago that the existing normal business of Government would continue, but that the Government would refrain from entering into big new policy areas or big new commitments until the new Prime Minister and the new Cabinet are in place.

Looking at public spending, we are also just at the start of a three-year period of the spending review agreed last year. As we said to you last time we were here, we in the Treasury expect Departments to stick to their spending plans and to manage pressures within those plans. Looking across spending issues, there are some that do need addressing. For example, in commercial negotiations where there is some commercial deadline, there is often a need for a Department to make a decision, but, equally, there are some other decisions that can perfectly easily, without any difficulty, be left until September. The basic rule of thumb is that, if it can be left, that is in line with the Cabinet decision, but where there are things that are urgent we are, in completely the normal way, working with Departments to deal with those.

Q5 **Chair:** Mr Chisholm, if you are a Permanent Secretary and you have a Minister who you are not sure is going to be there long term, and who is trying to push something through, what tools have you given your officials to make sure that they can hold back that pressure if it is being applied inappropriately?

***Alex Chisholm:*** Just as Tom said, guidance was issued by the Cabinet Secretary to every Permanent Secretary across Departments about how to act in this way, so there is good understanding of that. I would just emphasise a couple of points. It is not a pre-election period, so the normal business of Government continues; Ministers continue to have full powers and duties, and to exercise them. It is only at the margin of those things where there is a major and new undertaking that the Cabinet, almost as self-denying ordinance, has said, "We don't want to be entering into those now. It would be better for that to be a decision taken by the new Prime Minister and the new Cabinet in September". That is only a few weeks away. A great deal of Government business is already pre-programmed and ordained, and it carries on, particularly the delivery of public services.

We have been clear that anything that has already been subject to interministerial write-round, as a manifesto commitment et cetera, we continue to unfold; there is no need to pause those. Indeed, in many cases, that is critical, because every month counts.

Q6 **Chair:** Are there any particular brakes on what the current Prime Minister can do? Even a visit for a Prime Minister can be quite expensive because of the security arrangements and so on. Has there been any discussion about limiting what he is able to do in the next few weeks?

***Alex Chisholm:*** He continues as Prime Minister and to exercise all the rights and responsibilities of that. The only area for all Ministers to be aware of is that we are in an election period, so you should not be using Civil Service-type, or public assets for election purposes, but that is the only area that I can think of.

Q7 **Chair:** I am not sure, but I will ask you, Mr Chisholm, because you are here. Some Ministers became Ministers and, within 24 or 48 hours, had resigned. There is a severance pay for Ministers that is designed to cover people who lose their second job at an election. It is designed for people who have perhaps been long serving. Those are the rules. The rules seem to still apply to people who have been Ministers for five minutes. Is that something that might be being reviewed?

***Alex Chisholm:*** It is in legislation. We perform our duties against legislation, but you are right to say that it has highlighted a particular issue.

Q8 **Chair:** Are there any discussions at official level about that?

***Alex Chisholm:*** It has certainly attracted comment.

**Chair:** It certainly has.

**Craig Mackinlay:** I know that it was legislative. I suppose people are at liberty to disclaim it, should they so wish. I would imagine that, in certain circumstances, that might be the better part of valour.

Q9 **Chair:** It is always one of those challenges—what is best to put in legislation and what is best to have in guidance. We perhaps see the problems around that. We now need to move on to the exciting issue of the accounting officer assessment process. We say "exciting"; you probably say "very valuable". We think that it is really useful, and we hope that, for part of today's hearing, more people out there, including colleagues in Parliament, will be aware of the benefits of the process.

For my opening question, perhaps I will start with Ms Little. Is it really working as well as it should be? It has been set up for five years. We have seen problems—and I do not need to go through the Report—about how many have been published and how many are done. What would you like to see improve?

***Cat Little:*** I should thank the NAO for its very helpful Report. We really recognise all the findings and recommendations in there, but clearly there are really big gaps between accounting officer assessments that we would expect to have been completed and what we can see have been published on a timely basis. That is the first thing.

There are quite a lot of lessons learned, and it ties to what we would do about it. There are certainly five immediate things that I and my team are working on. First, you have to have not just guidance that is up to date and regularly reviewed, but the training, the support and the enablers to make that as effective as possible. I can come on to some of the things that we are doing about training and culture.

Secondly, last year, we designated finance as the centre of excellence for producing, drafting and owning accounting officer assessments. It is important that there are specialists who can share best practice, to drive consistency where it is appropriate, and to bring the best professional expertise to producing them. That is still quite early days and there is more that we need to do.

Thirdly, we have lots of monitoring controls, and they happen through investment approval committees. Alex and I see it at every major projects review group that we chair, which is almost a weekly occurrence, but you have to constantly review how effective that is, and we need to do more to embed it within the work that the IPA does and that we do within the Treasury. There is a really big set of lessons around culture and openness, so the last thing we want is for accounting officers to think that we want to know if they have done it or not only because we are doing some sort of compliance check or there is going to be a repercussion. It matters that accounting officers know we want to understand the issues, so we can help and do something about it, and can deliver the right outcomes. There is a lot on culture that we need to do.

The final thing is performance incentives and accountability frameworks. It should be incentivised, and we do need to make sure that, as part of our accounting officer performance management, it is taken into account. They would be my top five, but there is plenty there to get into.

Q10 **Chair:** One of the things here is that we have seen quite a lot not published. On our reckoning, if you take the rough figures from the NAO about the 139 that probably warranted one, 52 were published. That leaves 87 that were not, and there have been a few more published since the Report was written, so in the late 70s not published straight away, and a chunk published six months late. It suggests to me that there are not massive consequences if they are not complying with the rules. What are the consequences if they do not do a proper accounting officer assessment, and what are the consequences if it is not published?

***Cat Little:*** On the numbers, there are sometimes legitimate reasons for why you would not expect an AOA to be published either immediately or upon entry to the GMPP, and Nick might want to add to some of this. About 112 of our major projects are at such an early stage that we would not expect them to produce it ahead of OBC.

In our latest assessment, which we have undertaken since the accounting officer Report from the NAO, we think that there are 27 that have changed significantly, and the Chief Secretary has now asked us to chase down those 27 and get a complete record against the baseline that we have.

Q11 **Chair:** Can I just go back to the 112 that you think are too early to have had an assessment at this point?

***Cat Little:*** Nick, you might want to come in here.

***Nick Smallwood:*** We have seen quite a change in the number of projects on the GMPP, from about 124 in 2020. That grew to 185 last year. We are now heading towards 260, 51% of which are pre-OBC, so they are very early in the project lifecycle, and not all will be ready to present an AOA.

Q12 **Chair:** You were talking about the ones that have changed significantly and Chief Secretary has asked for—

***Cat Little:*** Yes. We have written to all accounting officers to set out why they have not complied and to make sure that they are published by September. We would like to write to you with a summary of what has happened, because it is really important that this Committee has the information to raise with accounting officers directly where there are gaps.

**Chair:** We might be on the same page, Ms Little.

***Cat Little:*** We would like you to do some of the follow-up on our behalf.

Q13 **Chair:** We have girded our loins on that already. Of the 27 that have changed significantly and not been recorded, do you have any sense about why they have not done an accounting officer assessment?

***Cat Little:*** That is why we have chased it down. The sorts of legitimate reasons that we are expecting are where there are commercial negotiations underway. There may be security concerns, where people are trying to work out what needs a private briefing. That is all helpful, but it does not excuse the reason why it is not done on a timely basis. We have lots of mitigations.

Q14 **Chair:** Security and secrecy issues would not stop them doing one. It just stops them publishing.

***Cat Little:*** Yes, it stops them from publishing, but it should not stop them from doing it in the first place and informing this Committee that that has been undertaken.

Q15 **Chair:** It sounds to me that there is a gap in their understanding of their obligations, but also there is no central register of this. The NAO asked you for a list, but the Treasury does not have one, Mr Chisholm does not have one in the Cabinet Office, and neither does Mr Smallwood. No one has a list, so how do you know what you are measuring anyone against? You set these rules five years ago for good reason—all good stuff. We have seen some of them in private as well as in public—all good stuff. But, if we are not seeing everything, how is it useful? I suppose my first question is why there is no central register.

***Sir Tom Scholar:*** Let me start on the principles and then, Cat, you might want to add on some of the practicalities. This Committee is very familiar with the principles, which are that an accounting officer is responsible directly to Parliament, through this Committee, for how they discharge their responsibilities. That would include preparing and publishing these assessments where they ought to be doing that. They do not report or account to the Treasury on that part of their responsibilities.

We do, of course, have a separate approvals process in the Treasury for releasing funding, and that is often joint with the Cabinet Office and through the IPA on major projects. Often, quite a lot of the same discussion is happening there that would be covered by an AO assessment, but we have never taken the approach—and I do not think that we really could—of requiring Departments to report to us on that kind of duty.

Q16 **Chair:** But then they are marking their own homework, are they not? The problem is that a Department does a good job and puts it all out there, but another Department does not and there seems to be no comeback against the Department that does not. You would not even necessarily know, and nor would we, that something should have been put in the public domain or carried out in the first place.

***Sir Tom Scholar:*** We carry out an annual assessment of the quality in each Department of the finance department and, within that, we look at the role of the finance director and the accounting officer. That is something that the finance function does each year. It is a formal assessment of capability and performance, but also feeds directly through into assessments of individual performance, including accounting officer individual performance.

We already try to get an assessment of how well they deal with this Committee, but we might be able to develop more of a formal assessment of that sort, perhaps through a regular dialogue with the clerk. That is not something that we have done hitherto.

**Chair:** While we are on that point, we see all the contingent liabilities that come through, which is incredibly helpful and helps us divine patterns across Whitehall. If we could find a way of doing this more formally, that would be very helpful to us. We could really embed it into challenging accounting officers on their managing public money responsibilities.

Q17 **Nick Smith:** I am a bit bemused, Sir Tom. I still do not understand why you just do not have a central list of these reports being produced.

***Sir Tom Scholar:*** I cannot say that I can recall ever sitting down and deciding whether we would or would not have one. In general in this area, the Treasury's job is to set and publish guidance, draw accounting officers' attention to it, and then expect them to perform against it. There are, in principle, a very wide range of issues where you could ask the question, "Why don't you follow this up? Why don't you follow that up?" These would be both very resource intensive and, in effect, compliance exercises, and we do not see ourselves having a compliance role to play with accounting officers.

Like Cat, I am immensely grateful to the NAO for doing this Report, because that has told us a lot and given us a lot of very useful information about how this process is being followed. We will certainly, in the light of the Report—and then we will get your Report in a couple of months' time, no doubt—look and see whether there is a case for extending the central record.

It is not something that we have not done because there is a conscious decision not to do it, but, as I say, the basic rule of thumb is that we set the guidance and then expect people to follow it.

Q18 **Nick Smith:** If the NAO had not done this Report, you would not be writing round to all the accounting officers this summer, saying, "Can you please catch up with what appears to be a backlog and gaps in reports?"

***Sir Tom Scholar:*** We have previously chased up Departments, which is something that the Treasury Officer of Accounts has done several times over the years, and that has sometimes come out of questions raised at this Committee. I remember talking to the current Treasury Officer of Accounts and his predecessor about that, so we have previously followed up where we have identified known gaps, but this has been a more systematic exercise than we have previously undertaken.

Q19 **Nick Smith:** So you would have been doing this already without the NAO Report.

***Cat Little:*** In some way, shape or form, yes, although having the data and being able to follow it up has certainly helped. The thing that I would just add to what Tom said is that there are black and white points where it is very clear as to when you would expect an accounting officer assessment, and there are points where there is quite a lot of judgment involved from both the SRO of a programme and the accounting officer. It is quite difficult for us to predict what judgment might have been applied. Of course, as Tom said, we do not want to take that responsibility away from accounting officers, but, where it is black and white, we do have these regular checks.

I remember, when I was at the MOD, being chased regularly by the TOA to see where our accounting officer assessments were, so this has happened periodically over quite a long period of time.

***Nick Smallwood:*** There is an opportunity for the IPA to lean in here. We have not historically played a part in AO assessments, but, with the rigour that we are now putting into the stage gate assessments that we do, there is a real opportunity that we could test and challenge, as we do a stage gate review, whether an AOA is expected and if it is in existence. Certainly, by the time a project gets to OBC and we go through the MPRG and TAP approvals, we can make it a condition. There is a really simple way that we can tighten that up.

Q20 **Chair:** It seems to me that that is important, because the other question here is whether they are good enough and, if they are going through some of the other proposals, whether you can measure them. Having seen them in public and sometimes the same one in private—and I am thinking of one in particular, which I will not name here—the private one was not massively different, but it was on a policy issue where it was quite easy to write it quite loosely, Conversely, you could say that it was quite challenging to measure it against the four criteria, because they were harder to measure, so there is a pressure sometimes on officials to deliver what the Government want.

That goes back to my question to Ms Little. Are they measuring up to the standards that you expected when you set out this plan five years ago to make sure they are complying with managing public money? How do you make sure that they guard against that political pressure just to get on and deliver a green light for the project that they want?

***Cat Little:*** There are two key things. First, when we are looking at big spending decisions in the Treasury, almost every single time we make a decision, we ask for an accounting officer view. Sometimes that is a formal assessment, and sometimes it is a discussion and input, depending on what the issue is. As part of that back and forth between my spending teams and Departments, there is naturally a conversation about the sort of data that we would expect to be underpinning those assessments. We get to see quite a few, and so we have quite clear views about what we would like to do to drive up standards.

The other thing, as I mentioned earlier, is the finance function's role. We now have a group of people who are regularly engaged in sharing best practice as finance leaders, talking about what sort of data we should be using, setting out the evidence for value for money, for feasibility and for all of the four tests. That is still quite early days, but that is an important part of the continuous improvement here. There are definitely gaps and we would like to see the standards improved.

Q21 **Nick Smith:** Ms Little, at the start of the session you talked about big gaps, and then you went into five points of emphasis around training, finance, and ensuring transparency. For these assessments, has there been an even response in their production across Whitehall or are some Departments very good and others not very good at all?

***Cat Little:*** Naturally, because of the way in which the GMPP lands with Departments, the Department for Transport and the Ministry of Defence have the largest number by far, but they also have more experts who are working behind the scenes. The conversation we have had with finance leaders is that those Departments have the most experience of dealing with quite complex issues. We are working on getting those Departments to work with those that do not often have to do them. We have a handful of Departments that have a very small number of GMPP programmes and very rarely have to do these formal assessments, so it is about sharing and learning from those that frequently do them.

I do not think that there is a consistent quality issue, because there is such a broad range of programmes out there. The probation reform accounting officer assessment is very different to the Astute submarine 4 one. There is something about policy assessments and big infrastructure assessments having different expertise.

Q22 **Nick Smith:** So transport and defence are good. The places that have these big projects are good at it. Which Departments are bad?

***Cat Little:*** I do not think that any Departments are bad per se. I would not describe it that way.

Q23 **Nick Smith:** Which Departments have been slow at producing the reports for you?

***Cat Little:*** I do not think that I could empirically say which ones are, if I am honest.

Q24 **Nick Smith:** Which ones need development?

**Chair:** There are three that have done none at all.

***Sir Tom Scholar:*** There is a table in the Report, is there not?

***Cat Little:*** It is in the Report, yes.

Q25 **Chair:** Exactly, there are three that have not produced them, including the Cabinet Office, but I do not know if that is a sign that it did not have major projects on the GMPP.

***Cat Little:*** Yes, there is a table in the Report that sets that out.

Q26 **Nick Smith:** So those are the Departments that not been as good as others at producing these reports. Do you nudge them?

***Cat Little:*** We definitely do nudge, and that is done mainly by spending teams and through the TOA as part of our year-end assessments. As Tom said, we do this for contingent liabilities and for AOAs. We set out where there are delays and gaps, but, again, it is part of an overall assessment that we do as part of overall financial management.

Q27 **Nick Smith:** I will bring you back; Mr Smith is just warming up here. You were saying, Mr Smallwood, that you have your gateway reviews and so on as well. If you did align them, that might be quite useful. At the moment, do you have any evidence to suggest that, where an assessment is done and done well, it has an impact on the success of a major project?

***Nick Smallwood:*** What I can refer to are the stage gate assessments that we do. We changed to a more rigorous red/amber/green rating in the last 12 months. That has really taken away any vagueness in the review team lead's decision-making. Either it is not ready to proceed and will not deliver on the cost schedule or benefits; or it has feasibility to deliver, if it is amber; or, if it is green, it is in very good condition to go ahead.

What we have seen is that we can bring far more focus on the early phase of projects. If they get a red rating, we have instituted a follow-up to that process. They get an after-action review 12 weeks later, at which they have to explain the progress and the resolution of the red-rated comments. We also write to the accounting officer at that point in time when we do the red review, so that they have the focus and attention on the seriousness of the review outcome.

In the 12 months that we have been piloting this new approach, 89% of all projects that got a red rating have moved to amber within 12 weeks, so we have seen a tremendous move and a focus on taking our observations seriously and then doing something about it.

Q28 **Chair:** That is your red rating. How does that rate with the AO assessment?

***Nick Smallwood:*** I do not review the Treasury process or the AOAs.

Q29 **Chair:** Can anyone match up what the AO assessment is saying against the GMPP register?

***Cat Little:*** Yes, and this is something that we are doing more jointly. We have an agreed action plan for how my teams and the Treasury now feed into the response to red process, and it is very much a joint piece of work. My team, which leads on major investment approvals, will have sight of the accounting officer assessments and can build it into the response to red plan.

Q30 **Chair:** Do you have any assessment about how that matches up and how realistic the AO assessments are?

***Cat Little:*** There is very high correlation between the AO assessment and our ability to mitigate the issues we are seeing in the response to red action plans.

Q31 **Chair:** On that basis, they are working.

***Cat Little:*** It is still quite early days. Where we have challenges is where we do not have an AO assessment for a red programme, which is always, in itself, a red flag, as you might imagine. That is one of our warning signs for chasing an accounting officer assessment.

Q32 **Chair:** There are a lot of moving parts here. If you had to do a chart, you have the GMPP rating, which is done by Mr Smallwood's operation via the IPA. You have the accounting officer assessment, but they are determining it themselves. The finance function might, at some point, match up with your public spending team that there is a red rating, but there has somehow not been an accounting officer assessment, at which point a flag goes up, and you go and, presumably, persuade, cajole or force.

***Cat Little:*** We ask.

Q33 **Chair:** Politely ask—is that what it is called? Politely ask from the Treasury with a strong arm up the back. You then make the accounting officer do an assessment at that point, or is it really too late because it has already gone through another route?

***Cat Little:*** Normally, when a GMPP programme is red, they are called back in for an MPRG—a major project review group. Alex and I chair every quarter all of those people coming together to run down the GMPP. Of course, we spend the majority of our time on the red programmes and any that are trending downwards according to the IPA assessment. That is where this all comes together every three months.

Q34 **Chair:** So you think that, from that, you have enough visibility from above to see where there is perhaps a Department that is struggling on the AO assessment and not understanding when it needs to implement it. You are saying that you are putting it through the finance function, so you have a bit of a grip there. Is that delivering or do you have areas, even if you are not going to name them, where you have concerns?

***Cat Little:*** I have to say that you do not often see the correlation to Departments. You see certain types of programmes struggling. As I said earlier, it is sometimes harder to do assessments for policy programmes than it is for infrastructure programmes. There are more qualitative benefits and outcomes. The strategic case is much harder to nail down in terms of time and physically what you see. We tend to see that, consistently, policy programmes struggle. It is not really a departmental boundary thing.

Q35 **Chair:** When someone is doing an accounting officer assessment and they say, "It really does not add up", because usually this is to get something through to delivery or some part of that process, are there many who say, "This is really not going to work" and they then never get published because the policy never goes ahead?

***Cat Little:*** Quite often, that is where you end up with a direction, and we should come on to that, because that is where you really see the sharp edge of accounting officer directions come through. We found this in the spending review, where we married up the deliverability of programmes with accounting officer views of feasibility on a number of programmes, and we took decisions in terms of prioritisation of funding. Certainly, at those big fiscal event moments, that sort of information is quite important.

Q36 **Chair:** You have just raised a really important issue there about the ministerial direction. If an accounting officer assessment says that this is not feasible, which we have seen very recently, of course, in the Home Office, or there were questions about that, that still might mean that a Minister might decide not to ask for a direction, because they might say, "Well, I have listened to you. I do not think that it is going to work. I do not want that on my record". Do you see any that fall through that gap? If an accounting officer assessment says, "This is not going to work", and the Minister says, "Okay, we will not do it then", is there any visibility of that process?

***Cat Little:*** There is definitely visibility where the Treasury is consulted as part of an approval process. I suspect that there is lots of that that we do not see that takes place at departmental level, and certainly my own experience of that in Departments is that there are many more accounting officer assessments that lead to decisions not to proceed than there are for ones to go ahead.

***David Fairbrother:*** I would agree with what Cat said. A third option is that the policy is redesigned, so that it does meet the criteria. Directions really are the tip of the iceberg, and there is much more underneath, where it might be redesigned.

Q37 **Chair:** We can get into the difference between types of projects later, because big policy area ones are different than when you are counting physical things.

Lack of publication has been a real concern. These are really useful documents for us but for Parliament and the public more generally. Ms Little, what is stopping accounting officers publishing them on time? We are very puzzled as to why they are not.

***Cat Little:*** It is a great question. As I said earlier, there are sometimes quite practical things that make people take longer to publish, so particularly where they are in the middle of commercial negotiations or in market engagement, which means that they are probably able to mitigate risk because of a conversation that they are having with their supply chain that might lead to a different accounting officer judgment, and so, quite rightly, we have a delay. I can think of lots of times when I have advised an accounting officer to wait until a certain milestone has been reached to do the best possible accounting officer assessment. There is, as I said earlier, still more that we have to do on the training as to when and how these assessments take place.

Q38 **Chair:** Once they have been published, the redaction bit is, for many things, very minor, but not for some of the very immediate commercial things. What is the consequence? I just feel that those who are not publishing them are getting away with it at the moment. What lands on their desk? Are they frightened of the Treasury Officer of Accounts? Are they frightened of you, Sir Tom? What is going to make people do a better job of publishing these?

***Cat Little:*** As I said earlier, there is the stick and carrot approach, so there are definitely follow-ups and, where we see egregious refusal to produce accounting officer assessments, there are, of course, escalation routes. We would normally take a political escalation if it is to do with a big spending decision. I am very much in the space that we have to create a culture where people see the benefits and the value of doing these assessments. The more we can share examples of how they have succeeded to help with managing risk and delivering better outcomes, and accounting officers and teams feel that there is value to be had from it, the better.

Q39 **Chair:** From our point of view as a Committee, managing public money is mentioned far more than when I started on this Committee 11 years ago, and we think that that is a good thing. The accounting officers are aware of their responsibilities there, but these are really important for that responsibility too, to show that they have done a thorough, proper job regarding taxpayers' money, whatever political buffeting they are getting from whichever political party or parties may be in Government. Delaying publication for good reason is fair enough if it is really explained, but, when they do not, that worries us. I still do not really have a handle on whether they think it is important. If you think that there is a culture through the finance function, is the culture really growing that it is important to publish these and that not publishing them is a bad mark?

***Cat Little:*** As I have said to this Committee many times, transparency is absolutely critical. The culture of sharing the basis upon which we are making these big decisions is really important, and we emphasise it in every single way that we can.

Q40 **Nick Smith:** Ms Little, you talked about a political intervention. What did you mean by that? Is it the Chancellor bringing in the appropriate Secretary of State? Is it a No. 10 thing? What goes on?

***Cat Little:*** It depends, but normally it would be the Chief Secretary having a conversation, and normally it is not just an accounting officer assessment gap. It will be that there are serious issues with a programme or a project, and we want to talk about it, to understand both the basis upon which the accounting officers and officials are discharging their responsibility, but also what the political judgments involved are. It is normally through the Chief Secretary.

Q41 **Nick Smith:** How often do they happen?

***Cat Little:*** We are regularly having conversations about major projects between the Chief Secretary and responsible Ministers. In fact, there are some projects that are so important that they happen on a scheduled regular basis, so it is not necessarily tied to the accounting officer assessment.

Q42 **Nick Smith:** I want to pick up on the introductory remarks that you made about the big gaps, Cat, but my first question is to Sir Tom Scholar and Alex Chisholm. To what extent do accounting officers have a shared and consistent understanding of when an assessment is required? That does seem to be an issue that has been drawn out this afternoon.

***Sir Tom Scholar:*** It is a fair question and it is an issue, and the NAO has correctly identified it. As Cat said earlier, there are some cases where there is a clear hard trigger that an assessment is needed—for example, where a major project goes to submit its outline business case. There are others where a degree of judgment is needed—for example, where, in some significant respects, there is a new development that would change some important part of a previous assessment. That is an area where practice does differ.

The way that we are trying to address that is partly through training and partly through the discussions that Cat has referred to, which she and Alex chair, where practice is shared and best practice is identified. There was also a specific one-off exercise that we did last year and discussed at this Committee before. One of the lessons that we learned from the pandemic was that, in 2020, the first year of the pandemic, as this Committee knows, there was a sharp increase in the number of directions, but you could also see that there were different approaches taken—in essence, different approaches to risk and risk mitigation, which led to slightly different outcomes in terms of assessments and directions.

Last year, we did a specific exercise on that particular aspect of all of this, which we ran from the Treasury. The Treasury Officer of Accounts did it under the guidance of the Civil Service board, chaired by Alex. The explicit purpose of that was to try to get a more consistent approach to the seeking of directions, which is only one part—and perhaps not the biggest—of the overall exercise. Through doing it, it also casts light, because, after all, in the end, the direction is the ultimate backstop where, under one of the four headings, there is an accounting officer view that the test is not met, which does require a more systematic look at how people are applying those four criteria.

***Alex Chisholm:*** I agree with everything that Tom said, but would add a couple of things. Just reflecting on the MPRG and its continued evolution over the last two years, we have really tried to make the process around it much more standard and consistent. In order to get on to the GMPP— the Government major projects portfolio—the criteria for that are absolutely clear. It is one of the reasons why it has got larger. It is no longer a discretionary type thing. You go on to it because you hit the criteria. All the management process around that—the appointment of SRO letters, the training expected there, the timing, the different stage gates, the consequences of being at the different levels—has been hugely tightened up, with great credit, if I may say, to Nick and his colleagues at the IPA.

There is a further notch that we can give that now by making it more standard and more commonly understood that, when you get to OBC, that is when an AO assessment is expected. I am not confident that everybody understands that now; otherwise they would be automatically putting those things in at the time, so that is an opportunity.

Q43 **Nick Smith:** I am probably being a bit cheeky here, but it was mentioned that the Cabinet Office has not produced any. Is that because you do not have any programmes that are big enough? You have big comms programmes, do you not?

***Alex Chisholm:*** We have been big users of AO assessments. We find them incredibly useful, particularly for the more novel, contentious and shortterm things—Covid-related, Brexit-related, the ports infrastructure fund, special one-off projects to do with G7, and things like that. We use them a lot. What we have not been doing so much of late has been MPRG-type projects. It is true that we do not have that many historically. We are not like a Department for Transport or whatever, but we have more than we used to and are doing a bit of a catch-up now to make sure that, by the September deadline set by the Chief Secretary, we will be caught up with all our AO assessments and the summaries, and have those published.

Q44 **Nick Smith:** Sir Tom, we have talked about some of these assessments being delayed because it is too early in the programme, but is it the case that some programmes are so complicated or big that an early assessment is really important? Are you sure that that is happening in the right instance?

***Sir Tom Scholar:*** I might turn to Nick and Cat in particular, who see more of these in their development. One general thing that I would say is that an AO assessment is an important snapshot at an important point in time, and is something that you do in particular when the project enters the major projects portfolio. There is an awful lot of development work that has to happen before you get to that point, including an awful lot of work into whether the project is likely to be feasible or whether it is likely to deliver value for money. In a sense, all that has to happen as it is being decided whether or not this is ever really going to see the light of day. It is then the outline business case from the Department that says, "We have done all the preliminary work now. We think we have a decent proposal here and a decent project that we would like to put forward for funding".

It is then at that point that you have this formal assessment, which is what the accounting officer assessment is. It does three things. It gives the Department, also with the Treasury and the Cabinet Office, a framework for evaluating the prospects of the project. It is a statement of record and provides the audit trail, which is often very important later in looking back at why we decided what we did, when we did. It is also a vehicle for transparency. It does those three things. If you like, it is a summary at a point in time of quite a lot of development work that has happened ahead of that, which will certainly include a lot of work into value for money, feasibility and so on.

Q45 **Nick Smith:** Ms Little, you talked about sometimes putting these assessments off. Where do you think they should be brought through and in earlier?

***Cat Little:*** It is worth saying that, as Tom said, quite often when you are in policy development—so deciding whether a strategic case for something is a runner or not—while they are accounting officer assessments, certainly if it is part of a spending review process or a portfolio entry point at departmental level, accounting officers and finance teams are always looking at the four tests before you even decide, "Yes, we are going to put that forward for a bid". Certainly, the evidence notes that we request of Departments as part of spending reviews ask for that very early-stage, upfront view as to what the likely risks are.

That is where the link between good risk management early on is so important, because, quite often, programmes are not mature enough to do a full assessment, but you do have a good sense of what the risks are that help you to think about some of the issues that you might face in the future.

Q46 **Nick Smith:** Just thinking back to Covid spending and Kickstart, when we first had Kickstart brought here we were all unimpressed with progress, although I have since met employers locally where it has gone quite well, and now Kickstart has finished. Were you involved with the agreement of Kickstart through DWP?

***Cat Little:*** I was not personally, no.

Q47 **Nick Smith:** That certainly would have benefited from an earlier assessment of all of that, but we will have a later review, I am sure. Let me move on. Mr Chisholm, what assurances can you give us that, in the future, these assessments will be sufficiently prioritised to help you make the difficult decisions, such as the Covid investments that we saw? What are you going to do to ensure that?

***Alex Chisholm:*** As you heard from Sir Tom, the scheme of it is that the responsibility sits with the accounting officer. In my Department, the areas where we were spending a lot of money on Covid were ventilators, where we did an accounting officer assessment, and communications campaigns, where we again did an accounting officer assessment. We have been doing those and I am sure that that is the case across the rest of Government.

What this excellent Report has shown is that the timing, the quality and the consistency are what need to be addressed. People have a good understanding of it, and they are extremely useful. Other people have said it already, but it is a very good discipline to have. To Cat's point, it is not just that you are doing it because you are told to. You should want to do it, because it is a very logical process to work your way through. It is also, I have found, a good communications device sometimes with Ministers in taking difficult, expensive decisions, knowing that you have to go for an accounting officer assessment. Going back through British Steel, the Chair will remember that we had some interesting ones on that back in the day, and Hinkley even before that. When you are trying to decide things very quickly, as we had to do under the pressure of Covid, using that as a as a discipline, even when acting under speed as we did for ventilators, was very good.

It is also quite good for alignment within Government, both between officials and Ministers, but also between Departments. A characteristic of all the ones that I have mentioned is that we then share it with the Treasury and, in a way, that gives you a second reference point. Sometimes colleagues will say, "I am not convinced by that", and that is good feedback to get as well, so it has been good.

The last thing to emphasise is that we are all in favour of the transparency, not only to enable Parliament to do its job, but also because, when it is published, it is a reference point. If it changes and you say, "Well, the game has changed; go back and look at it again", that is very important for subsequent evaluation.

Q48 **Nick Smith:** In the last few weeks, the Government have talked about cutting back the number of civil servants. We have seen percentages bandied around of between 5% and 25%, and sometimes 25%.

**Chair:** They are modelling 40%.

**Nick Smith:** Mr Smallwood, how will you ensure that Departments deliver these programmes with fewer civil servants?

***Nick Smallwood:*** I take the observation that, right now across Government, we have about 3,000 vacancies in projects, but there is a complete variance of how projects are delivered in Government from heavy client involvement—thick client, I would call it—to a thin client, to dependencies on arm's-length bodies, which, themselves, are quite large. There is a real opportunity to focus more on efficiency and to be clear on what the role of the Department is in delivering a project, what the minimum viable product is and what the minimum viable owner's team is to have oversight over a programme. That is work that we have to do going forward.

I am quite confident that, certainly from my experience, a sharp, lean owners team delivers a better result, quite often. As you have more people who are on the margin of usefulness, you tend to introduce additional meetings that are unnecessary, you have man marking and it all gets very out of hand very quickly. I am a strong proponent of a thin client and we have work to do across all Departments to help them get to a more efficient place. I have no doubt that there is opportunity to become more efficient. I see a lot in the infrastructure space where we have huge man marking right over the contractors as well, and there is an opportunity to fix that.

Q49 **Nick Smith:** You talked about 3,000 vacancies. Which Departments were they are in?

***Nick Smallwood:*** They are broadly across all the main delivery Departments. Quite frankly, I am not sure that it is 3,000 key positions that we need to fill. It is probably less than half that, in my view. That talks to the fact that we have to be really key about what it is we expect Departments to do, what their primary role is, and what can be best delivered by others. I do not believe that it is appropriate to have huge man marking of an arm's-length body. That is the very reason that we have the arm's-length body.

Q50 **Nick Smith:** It sounds like you need to fill only 1,500 of the 3,000 vacancies that you have.

***Nick Smallwood:*** I cannot quote the exact number but I do not think it is 3,000.

***Cat Little:*** We have just commissioned some work. That 3,000 is a bottom-up SRO assessment. Nick and I have just commissioned a topdown assessment: "If you were going to look at these parameters, these efficiency opportunities and the following constraints, what would the number be?" That number should be coming back to us in the autumn, so that we can better understand the choices and trade-offs, and where the efficiency might be, but we do not yet have that data. It is just a gut instinct.

Q51 **Chair:** Could you name an example, Mr Smallwood, of a project that is lean and focused with fewer opportunities for man or person marking?

***Nick Smallwood:*** It would be a challenge right now. We have opportunities.

Q52 **Nick Smith:** Are these 3,000 vacancies out to advert at the moment?

***Nick Smallwood:*** I could not tell you. They have been at some point. What the status is right now, I could not tell you.

***Cat Little:*** The other correlation here is that, quite often, there might be a project gap, but it could be filled by the use of interim support or consultants. We are also just trying to marry up, "So it might be more legitimate for that to be a Civil Service post rather than the use of a consultant or a project management support contract", so working out what the right value for money option holistically looks like.

Q53 **Nick Smith:** Just to come back to the question, are those 3,000 vacancies out to advert at the moment?

***Cat Little:*** I doubt it, no.

***Nick Smallwood:*** There is a hiring freeze now.

***Cat Little:*** It is a departmental number.

**Chair:** It would depend on different Departments, I guess.

**Nick Smith:** I am just trying to follow it through.

Q54 **Chair:** We should perhaps add that we have talked a lot about skills, so are there particular skills in those missing roles that are supernumerary—skills that you do not need—or are there skills that you do need that you have vacancies for? What is the biggest gap?

***Alex Chisholm:*** In short, yes. One of the things that I wanted to say more generally about the headcount reductions is that the commitment across Government is to have a smaller Civil Service, but it must be at least as capable or more capable, because the need to deliver outstanding services is there. How you reconcile those two positions is going to come only from enhanced skills, and some of that is retraining and upgrading the skills of the people who we have now. Sometimes it is getting new people in from outside to help us. Certainly in very major projects, we have found that the impact of a small number of highly skilled expert professionals who have done something like that before can have an absolutely transformative effect. It is not armies of people that you need, but relevant experience.

Q55 **Nick Smith:** Mr Smallwood, how will inflationary pressures affect the affordability of major programmes? How can Departments manage that risk, given how scary it is at the moment?

***Nick Smallwood:*** It is a very real issue. It is beyond a risk; it is reality. We are seeing 23% inflation on materials in the last six months. There is a risk that that will fall over into the resources used to deliver our big projects, and so you have to really be focused on having robust delivery plans, long-lead procurement of the critical materials if that is possible, and looking to offset any inflationary pressures by being more productive. I have certainly been very vocal in the infrastructure space that there are huge opportunities to do far better projects with far less cost by using digital technologies, whether robotics, automated design software or advanced work packaging, but really leveraging what I would call modern methods of construction and offsite fabrication, and taking work hours out of the field.

We are seeing some really good examples across Government projects of them starting to take that seriously. The hospital building programme is looking at a kit of parts programme. We are already busy with offsite fabrication in the school building programme. Most recently, we have seen some really good results in the prison building programme, using offsite fabrication. There is more to do, but there is a real opportunity to be a significant offset to all the inflationary pressures in the next couple of years.

Q56 **Nick Smith:** That then begs a question. With inflationary costs sometimes as high as 20%, you said, for materials, how are you going to go back to all the Departments that you are working on billion-pound programmes with and say, "This is how we recommend you deal with inflation"? Are you going to go back straightaway? Is there going to be a special programme about it? How are you going to address this?

***Nick Smallwood:*** We have a cross-Government cost estimating group and a community of practice. We have done a bit of work to look at the realistic inflationary pressures in order to make sure that we do not have programmes coming along and claiming outrageous sums that are not validated. We have a good handle on what we think those pressures are. We work with Government commercial to make sure that we understand the labour market, and we have openly shared that with the Departments already, which remain accountable to control the costs on their projects.

Q57 **Nick Smith:** Are people addressing this issue and are they on it?

***Nick Smallwood:*** They are on it. They are taking it seriously. It will affect some programmes more than others. We clearly have a challenge for programmes that were at OBC and have yet to take FBC, and we will have to make some tough decisions going forward.

Q58 **Chair:** You mentioned the prison building programme and hospitals. The prison building programme is slowly getting there, but it is underway, up to a point. I am not sure what level it has reached yet, but to turn it into an offsite fabrication project is quite a big difference to what was originally planned. I cannot remember the ins and outs of the detail of that particular one, but is there not a risk, if you were not planning that and you have to turn it to offsite fabrication, that you are changing the project considerably? You may be saving money, and it is great, but it will take time.

***Nick Smallwood:*** In the prison programme, they have been very pragmatic in taking small steps in each prison build that they do and looking to optimise and learn as they have gone. We have seen a significant reduction in cost in the last three prison builds, and they have more to do, so I am quite comfortable that they have it in hand.

The hospital building programme, where you have a much larger estate and opportunity, really lends itself to the next generation of change, which is to look at a kit of parts, where you really look to optimise one type of design solution that you can build in different ways—almost a kit of parts to a different solution.

Q59 **Chair:** Are you looking at international comparisons for any of those?

***Nick Smallwood:*** We have started to benchmark what the cost per square metre is of the Government estate—the cost per square metre of a prison, a hospital or a school.

Q60 **Chair:** Fantastic—at last. I went to visit the Danish healthcare system and the Danes build hospitals quite considerably cheaper per square metre than the UK. I do not know if you have looked at any particular countries.

***Nick Smallwood:*** We will, indeed, be looking internationally and taking into account the functionality required as well, making sure that we are comparing apples with apples. That work is underway.

**Chair:** At last, Government are looking internationally.

***Cat Little:*** I hope you do not mind, Chair, but could I just go back to add to the inflation question? It is quite important. I agree with everything that Nick has said, but I would not want anyone to think that this is all managed and fine. There are some really big inflationary pressures facing all Departments and all programmes. The IPA has done some fantastic work in trying to evidence as much as we can, but it is really early days, and what I am really worried about is where Departments are struggling to evidence what the impact is. Some programmes have not yet got to a commercial negotiation or a milestone in the programme that allows them to quantify what the inflationary impact is, so this is ongoing work and we are expecting to have a further update in the autumn to better assess and quantify that impact, but this is far from easy and far from fully gripped.

Q61 **Nick Smith:** At what point will your assessment be public? Is it just an internal assessment or will it be coming back to Parliament so that we can understand the inflationary outcome?

***Cat Little:*** It is part of our ongoing update. My team manages all of the spending pressures, as well as, every now and then, some opportunities, but we are constantly trying.

**Nick Smith:** It must be horrendous.

***Cat Little:*** As you can imagine, it is not just major programmes. We have big pressures just on basic running costs and particular pay costs within Government. All of that has to come together. When a new Administration are in place, it will be one of the first things we run through to say, "Look, this is what we estimate the total pressures bearing down on Departments to be, given that we set a nominal budget against real terms spending increases".

**Chair:** And they are all fighting to become Prime Minister.

Q62 **Nick Smith:** Mr Smallwood talked about difficult decisions having to be made. What will the process be to help politicians make those decisions and when will it be public, so that Parliament can challenge Government Ministers when they come back with the suggestions you make?

***Cat Little:*** There is not a process as such because we have not yet commissioned a process and, again, we have to wait for a new Administration to set out how they want to look at the overall spending pressures, questions and policies. It will be far too early for us to do any work on that, but ultimately, as part of our normal management of this year's budget and the spending review, we are constantly assessing deliverability and to what extent we can see forecast pressures.

We also have quite large underspends, and this Committee will be familiar with some of the big underspends that we have seen, because you have the conflation of spending cost increases from inflation coming at the same time as supply chain challenges. Even though the materials have gone up in price, the quantum that we can get our hands on and actually into situ to use as part of construction has been challenging. We also have some difficult labour market challenges. We have to build quite a complex set of inputs to advise Ministers in the autumn, but all of that work is underway jointly with the IPA.

Q63 **Sarah Olney:** We have talked about who is producing the reports and how much they are available. Mr Chisholm, I will come to you first. To what extent are accounting officers, once they have produced their reports, using them in their decision-making in your experience?

***Alex Chisholm:*** Very much. I will maybe just expand a little bit on the light examples I gave earlier. If I go back to when I was at BEIS and we had to make some quite big investments in British Steel, at that time there were very considerable uncertainties. It was pretty novel stuff. We were trying to buy emissions certificates for the company in question. There was an uncertainty about whether the deal could be concluded successfully and it had to go into receivership.

In all those complexities and trying to steer a route through that, the accounting officer assessment process was a fantastic guide, and the business of producing those and agreeing it formally led us to say, "In two cases, we actually need a direction here". That was the same if I fast forward to the early days in Covid. We had specific cases there. Again, we needed a direction for one of the schemes, CBILS, because there was an uncertainty about whether it would be approved legally due to the speed at which it was done, and that was still covered by the preceding law at that time. It turned out that was okay, but we did not know that at the time, so we had to get a direction to that point.

Those are the types of steps to be able to make sure there is real rigour to what you are doing and it is a key part of the decision-making process. That has continued to be the case in the Cabinet Office. As I say, ventilators would be a great example. You remember when the Prime Minister appeared and said, "Does anyone want to help us with ventilators?" Hundreds of firms came forward. They needed support, both with the materials and to actually make them. Again, the AO assessment was critical for shaping the process of trying to agree how to do that in a way that was still value for money, proper, regular and feasible, and was our guide in helping make sure that was a very successful programme, as the PAC at the time recognised.

Q64 **Sarah Olney:** Excellent. You have given a couple of examples from Covid there, which is a good example of where you have needed to really respond quickly and in a very unprecedented decision-making environment. Given that they have a really valuable role in decision-making and they have proven themselves, what are you doing, in those Departments where accounting officers are not producing them perhaps in a timely way or necessarily using the assessments as a decision-making tool, to encourage greater use of assessments in this way?

***Alex Chisholm:*** The particular responsibility I have, along with Cat, is to chair the MPRG. That gives us a terrific forum for making sure that major projects do go through all the appropriate levels of checking and assurance, and that was the embellishment to the process we talked about before. Sorry for the jargon, but there are different stage gates that you go through when you get to outline business case. That is the right point at which you should do an accounting officer assessment. We can simply make sure that, as you get to that stage, as a standard part of our procedure you ask, "Where is it then?", and that will be a powerful reinforcement to the overall regime.

Q65 **Sarah Olney:** Thank you. Sir Tom, is that something that you will be requiring from a Treasury point of view?

***Sir Tom Scholar:*** I would like to just draw the distinction between the assessments within the meaning of this Report and assessments more generally. In this Report we are looking clearly at the major projects programme, because that is where the formal requirement, including the requirement for publication, applies, but accounting officers make lots of assessments all the time on things that are not major programmes, and so are outside this framework.

The Chair said earlier that, compared with 10 years ago, you hear a lot more these days about managing public money. Alex and Cat have both talked in different ways about making things more systematic and that very much has been a general trend of the last five or 10 years, including on assessments.

The Treasury Officer of Accounts team runs regular training sessions for new accounting officers and, whenever I can, I go along to that. One thing that I routinely say is, "If you are an accounting officer and a decision comes your way that is in any way difficult, balanced or complicated, or that makes you think for a bit, get your finance team to write it down properly and do a proper assessment against the four criteria, because you never know when in the future you will want to look back and have a clear record of why you decided what you did when you did". TOA also is all the time in contact with finance departments and is often engaged in accounting officer issues. Again, the regular advice that they give is, "Use this framework. Write it down".

There are many assessments being done all the time, often on decisions that might be quite small in themselves in terms of the amount of money being spent, but which might raise an important question of principle or might set a precedent, where we very much are spreading best practice.

As I said earlier, we do not monitor everything that an accounting officer or a finance department does, but we do set very clear expectations. When in our spending control work we come across some issue where you look back, something was done two years ago and nobody can really quite remember why or explain why, that is a material factor and that undermines their case.

People are gradually learning and seeing, as Cat was saying earlier, that this is not just some sort of tick-box exercise. It makes them better at doing their job and running their Departments, which in the end is the most powerful tool that we have.

Q66 **Sarah Olney:** Mr Chisholm, what more could be done with the AO assessments in their current form? Are there opportunities? You have talked about a few examples of good practice. Given that we are not seeing yet a standardised use of them across every Department, what more can be done, where they are being used, to really embed the practice and to realise more value for them?

***Alex Chisholm:*** The current exercise for all Departments to update their AO assessments and to publish those summaries was itself extremely useful, so that is good. Come October, you will be getting an update report from Cat, very likely, on where we have got to with that and that should show a much improved picture.

You have already heard about the steps being taken to be a bit more consistent in interpretation of how these apply the guidance available from the Treasury Officer of Accounts. You heard from Tom about the exercise we went through in terms of how directions are used as well to make sure that was well understood and up to date. All of those have been good. We are embedding it also with MPRG processes and, when you have accounting officers in front of you before PAC again, it is always an opportunity to ask and to use that as a reference point for your own work.

Q67 **Sarah Olney:** Coming back to the point that there is not a central list of the completed AO assessments, are the ones that we are seeing—the ones that are being published and shared—actually the ones where there is the biggest risk in the GMPP list or is it just that some Departments are better at doing them than others? I do not know if my question is very clear, but in terms of where you are seeing the AO assessments are they arising from those projects where there are the greatest risks? I do not know if that is one for Mr Smallwood.

***Nick Smallwood:*** I do not see the AO assessments.

**Sarah Olney:** I beg your pardon.

***Cat Little:*** I might have a go at this and others, I am sure, will want to add. We were making a distinction. There are things where it is a very clear trigger, so, in that sort of circumstance, it is much easier. Where there are changes in the risk assessments or the original baseline assessment at ABC level, where clearly things have moved significantly and it is a much more judgmental trigger, that is where we are probably seeing the bigger gaps. That is much harder for us to assess because we do not always have all the information.

It is one of the things that Alex and I were discussing last week, because in the MPRG, as the ultimate approving authority, as we make decisions about spend we are basically saying, "This is the baseline. These are the major time horizons and when we expect to see an output or an outcome". We have set all these parameters, so we know, when we are signing off these programmes, exactly what the baseline is. Technically, as we are gathering monitoring information through the IPA and the Treasury, we should be able to see where there is divergence from our approval authority.

We are trying to look at ways to align that with these judgmental areas, where accounting officers probably should be thinking, "Hold on. Do I need to do another accounting officer assessment?" I do not know if that quite answers your question, but I hope it is a useful hook into what you were asking.

Q68 **Sarah Olney:** I wondered, Mr Chisholm, if you could perhaps pick on that. Are you confident that the AO assessments you are seeing are reflective of where you think the greatest risks are across Government?

***Alex Chisholm:*** Within my own Department, yes, but we are not as consistent as we need to be in terms of the major projects and that is the next frontier, to make sure we have that across the whole piece. Then beyond that, as Cat said, I agree there is that area of judgment about whether it has changed enough to merit a new one. Those are the two things we need to be tighter about.

Q69 **Sarah Olney:** Are all the assessments you are seeing helping you to build a picture of systemic risk across Government?

***Alex Chisholm:*** I am not sure exactly they do describe systemic risk. We have other ways of trying to monitor systemic risk better, because these tend to be quite specific to a particular project. There will be themes that replicate themselves, but it is not really particularly the way to look at that.

***Cat Little:*** They are probably not the best way into it because they are programme specific rather than portfolio specific, but certainly from a portfolio perspective Alex chairs the Civil Service board. That gets the portfolio update and the top-down quarterly risk assessment for Government as a whole. You definitely see common themes of risks that all projects and programmes are managing in some way, shape or form, but it is not really through the accounting officer assessment.

Q70 **Sarah Olney:** What are the benefits then from having accounting officer assessment reports that you can bring together? How can you realise the benefit of looking across all of them? If it is not systemic risk, are there other lesson learned that can be drawn from looking at them as a whole?

***Cat Little:*** Definitely. I can give you just a couple of examples. Quite often we have questions about how you go about writing a value for money assessment. I can point to lots of guidance, but, until you have had to write it down and draw upon lots of different inputs, the practice can be very different to the theory of how you do value for money assessments. The same is true of feasibility in particular.

What we are trying to do through the finance network is to use common expertise and common examples of how we have gone about assessing value for money in different circumstances, and the same is true of feasibility as well, because quite often assessing feasibility very early on in a programme is quite hard to do, so you have to look at what the likely scenarios and risks are that you might encounter, and what the mitigations are. Again, programme experts are really good at setting out common strategic risks and common ways of dealing with some of the scenarios that a project might see from a deliverability perspective. We are trying to bring those sorts of questions together through the finance function.

Q71 **Sarah Olney:** Mr Chisholm, is there anything else you would want to add to that in terms of other ways, looking across the piece, that the AO assessment reports can help identify learnings or new ways of working?

***Alex Chisholm:*** I am sure there will be, but let us see where we get to when we get to October and look at all the updated ones to see what the patterns are.

Q72 **Sarah Olney:** Just thinking then about how the AO assessment process fits alongside other programme governance, such as business case process and so on, is it a useful fit? Is there duplication? Do they clash? Do we sometimes use one and sometimes use the other?

***Alex Chisholm:*** It is one of degree. Thinking again about the Cabinet Office, the Department I know the best now, last year we did about 120 business cases, but only a handful of those needed AO assessment, so you would not be doing it every time.

***Cat Little:*** As you know, for all GMPP projects we are now requiring them to publish summary business cases and we are in the process of following up on which ones need to be published. At that point, there should be an alignment between the summary business cases that are published and the accounting officer assessments. It is quite helpful to read the two side by side, but at the moment the public cannot see the business case side of it, so that is an important bit of alignment that we will have to do over the autumn.

Q73 **Sarah Olney:** Is it like you are looking at the business case, which is what you hoped would happen, and then the assessment report is how that is actually happening now in real time?

***Cat Little:*** The business case is defined in line with the Green Book. It is the decision-making material that gives us the evidence to make decisions and advice to Ministers. The AOA is the very specific test of whether that business case and the programme meet the managing public money test. Quite often, it will draw on material, say for the value for money assessment, from the financial and economic case. It is quite useful to actually drill into the numbers, if you are so inclined, when you are thinking about value for money and benefits realisation. They are complementary; that is the way I would describe it.

Q74 **Sarah Olney:** Ms Little, what assurances can you give us that, compared with when we published our Report in 2016, accounting officers now have stronger accountability for programmes throughout the lifecycle?

***Cat Little:*** Accounting officers change during the lifecycle of many of our major programmes, as do SROs.

Q75 **Sarah Olney:** Presumably, that is part of the weakness though, is it not, if you do not have one person all the way through as someone who has the accounting officer responsibility?

***Cat Little:*** That is why accounting officer assessments are so important, because they set the corporate memory on the record publicly of how risks and decisions have been made, so it really helps with some of that challenge, especially for very long major infrastructure programmes.

Q76 **Craig Mackinlay:** These assessments that are often online are the summaries, and no doubt they are lengthier behind this. Do any of you actually see those in their full glory? Literally, online they are one page and they follow a very similar format. Who actually looks at these?

***Cat Little:*** Certainly I do, my teams do and, indeed, Alex's teams in the IPA do where they are relevant to a major projects review group approval,

but it is mainly the spending teams in the Treasury that see the very detailed assessments. They are quite often very similar to the summary.

**Chair:** Yes, the ones I have seen are.

Q77 **Craig Mackinlay:** They follow a given formula that has to be assessed upon. You have a value for money test, a feasibility test, a propriety test, a regularity test and sometimes there is an affordability test. They are always, or generally, signed off in the affirmative. The value for money test is always of interest to me. Who then assesses within your team whether that conclusion that had been reached by the accounting officer was a fair one based upon the work that had been done and the backup evidence that the accounting officer may have considered in coming to that conclusion? It is like, "Who audits the auditor?", in a way.

***Cat Little:*** My spending teams are reviewing them. Ultimately, as Tom was saying earlier, it is for the accounting officer to assure themselves that they have all the detailed evidence that their teams have drawn together to provide that advice.

There is quite an iterative process between us and spending Departments. We will ask questions. We will ask to see things that we think are critical to some of the conclusions. Quite often, we will want to see financial models. We will want to see where the numbers are drawn from and confidence in the forecast ranges of cost estimates. We will want to see benchmarking, where it is available. Quite often, we will call on commercial programme digital colleagues to sense check what we are seeing, to make sure that we are satisfied that all the possible risks have been considered, but ultimately it comes back to the accounting officer having responsibility for that assurance process.

***Sir Tom Scholar:*** What does it mean when an accounting officer decides that something represents value for money? It means that they are prepared to take accountability for that decision and for that expenditure, and account for it to Parliament as meeting the test. It does not mean it will necessarily be funded. That is a separate approvals process, in which it is ultimately for collective agreement, but with the Treasury determining that.

You can certainly have proposals where the accounting officer has signed them off, but they are not funded. You can also have proposals where the accounting officer has not signed them off, but there is a direction given and then they are funded. They are complementary but different tests.

Q78 **Craig Mackinlay:** Just to follow on that a little bit, the propriety test is a very discretionary test. There is not really a hard and fast form of what propriety might be. Your view might be different from mine. How is that assessment made?

***Sir Tom Scholar:*** Propriety is all about meeting Parliament's expectations of how things are done and there is an awful lot of case law on that. The ultimate test is whether an accounting officer is prepared to defend whatever has been decided to this Committee or to a departmental Select Committee. It is true that people can reach different judgments. That is why in the end it has to be the accounting officer's judgment and, if they feel that it does not meet the test, they can either ask for a direction or ask for a modification to the way in which the thing is done. The propriety test normally relates to things like information given to Parliament, advance notice where needed and approvals. It is mostly those things, is it not?

Q79 **Nick Smith:** Mr Smallwood, how valuable do you find these assessments to be?

***Nick Smallwood:*** I do not see the AO assessments.

Q80 **Nick Smith:** Do you see them at all? Do you see the published ones or the unpublished ones?

***Nick Smallwood:*** No. I look at the business cases as part of the IPA programme and the GMPP governance.

Q81 **Nick Smith:** Do you think you would find them valuable, if you were to see them?

***Nick Smallwood:*** Probably not if the quality of the business cases is robust.

Q82 **Chair:** It is more of a political judgment, is it not, than a delivery judgment?

***Cat Little:*** It is a partnership, so the work that goes into major approval decisions is often joint between the Treasury, the Cabinet Office and the various functions that advise. We very much play to strengths and it is the Treasury that generally looks at the accounting officer assessment. If there are issues, particularly for feasibility, that we think the IPA can help us with, we will cross-correlate and discuss it between us.

**Chair:** Thank you very much indeed. As I said at the beginning, this Committee is keen to keep a close eye on this. That means with individual Departments, so that is their warning shot. We are also going to try to work with our sister committees to make sure that they are on top of accounting officer assessments and hold Permanent Secretaries to account when they are in front of them as well, because it is important that these are seen to be documents that are as useful to Parliament and the public as possible.

Can I thank you very much indeed for your time on this hot and sticky afternoon? The transcript of this session will be available on the website uncorrected in the next couple of days and we will be producing a Report now in the autumn. Can I thank you very much again?