

# Public Accounts Committee

## Oral evidence: Lessons from major projects and programmes, HC 694

Monday 30 November 2020

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Members present: Meg Hillier (Chair); Gareth Bacon; Sir Geoffrey Clifton-Brown; Dame Cheryl Gillan; Peter Grant; Mr Richard Holden; Sir Bernard Jenkin; Nick Smith; James Wild.

Gareth Davies, Comptroller and Auditor General, Lee-Anne Murray, Director, National Audit Office, and David Fairbrother, Treasury Officer of Accounts, were also in attendance.

Questions 1-86

### Witnesses

**I:** Nick Smallwood, Chief Executive Officer, Infrastructure Projects Authority, and Matthew Vickerstaff, Deputy Chief Executive Officer, Infrastructure Projects Authority, and Head of Government's Project Finance Profession.



## Report by the Comptroller and Auditor General Lessons learned from Major Programmes (HC 960)

### Examination of witnesses

Witnesses: Nick Smallwood and Matthew Vickerstaff.

**Chair:** Welcome to the Public Accounts Committee on Monday 30 November 2020. We are here today to look at the Government's major projects portfolio, which currently comprises 125 programmes with a combined cost of nearly £450 billion. Last week's spending review committed the Government to a further £640 billion of infrastructure spending by 2025, so in quite short order. These are huge sums involved, even in the current expenditure circumstances, which definitely shows a commitment by Government to infrastructure spending, but we know on this Committee and sister Committees how many major projects go wrong, go over budget and are delivered over time. There is a real risk, and we have seen some risks over the years, to the UK taxpayer.

We are delighted to welcome our witnesses today to discuss why so many major projects go wrong, what the challenges are, and what lessons can be learned to avoid these costly overruns and protect the taxpayer while also delivering for the taxpayer. We welcome Nick Smallwood, who is the chief executive of the Infrastructure and Projects Authority, and Matthew Vickerstaff, who is the deputy chief executive of the Infrastructure and Projects Authority. A warm welcome to you. Before we go any further, I will hand over to Mr Nick Smith MP.

Q1 **Nick Smith:** Hello, Mr Smallwood and Mr Vickerstaff. I want to start with the question of transparency for major projects, which receives prominence in our Report today. There have been a number of troubling revelations in the press recently—for example, Mr Alex Bourne's company Hinpack previously made plastic cups, but it is now providing 2 million medical-grade vials to the NHS every week. He had contacted his former neighbour, Secretary of State Matt Hancock, through WhatsApp.

Ms Gina Coladangelo, a close friend of Mr Hancock and a director of a lobbying firm, has been appointed as a non-executive director of the board responsible for scrutinising the Department of Health. Her parliamentary pass is sponsored by Lord Bethell. I mention all this because in the House of Lords debate on covid-19 contracts made without transparent tendering processes, Lord Bethell, who is the Parliamentary Under-Secretary of State for Health and Social Care, said that the Government had "relied on a very large network of contacts and formal and informal arrangements".

I think that these few examples point sometimes to a very narrow pool of suppliers and scrutineers. The covid contracts are huge and ongoing—



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Operation Moonshot is estimated to come in at close to £100 billion in the near future. In light of this, I have three questions for our witnesses. What measures are in place now to ensure probity of contracting? Should there always be a transparent tendering process, and can this tendering process be done at great speed, recognising that all of us have been asking the Government to go faster in recent months? In these controversial circumstances, where suppliers with links to Conservative party politicians seem to be 10 times more likely to be awarded contracts, what do you think should happen next?

**Chair:** Is that to Mr Smallwood first?

**Nick Smallwood:** I can certainly answer the middle question first. Should we have transparent tendering processes? I absolutely believe we should—that goes without saying. It is the foundation of good business practice, wherever you sit.

In terms of probity, I cannot comment specifically on the recent findings. You will have seen the recent NAO Reports on procurement in the covid crisis, and on PPE specifically last week. I am sure those will be dealt with and I am sure there are learnings and best practices in what has been a really challenging time to procure anything against a market that is global, all trying to source the same commodities. I am sure we will come out of it learning. Going forward, I think there are opportunities to have mechanisms in place to test and check; specifically, the IPA is targeting a strengthening of its assurance processes and where we can get involved in the Government major project portfolio and have a say at each and every gate as these large programmes proceed down the track. We have started to do that right now on the mass testing programme and the vaccine taskforce specifically—two reports that will be out in the next few days.

Q2 **Nick Smith:** Thank you, Mr Smallwood. You talk about how tendering processes should be gone through. Can they be gone through with probity, at speed? Could you talk more about that?

**Nick Smallwood:** There is always a vehicle to set up for speedy response in a crisis. The challenge here is that people were running a bit on the hoof, trying to catch up in short order against what are massive programmes, so I am sure we will see going forward that we can set up frame agreements and the like, which allow you to move at speed if you have to in given circumstances. But that should be set up in the fullness of time, to allow you to do it not in haste, at short notice and without the requisite checks and balances.

Q3 **Nick Smith:** Why do you think that was not done this time?

**Nick Smallwood:** I cannot comment on the specific detail; I have not been close enough to it.

Q4 **Nick Smith:** You talk about mechanisms at the gate to avoid these difficulties. What would you do to ensure there was probity?

**Nick Smallwood:** If you bring the larger programmes to an assurance event, you allow an opportunity for all the key functions to have a check



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and a balance on the right levels of probity. It is very simple. You can actually set a checklist of key requisites that need to be tested for and validated before a given project proceeds to procurement, for example.

Q5 **Nick Smith:** How would those mechanisms deal with WhatsApp messages being sent through private mobile phone lines?

**Nick Smallwood:** I don't believe they would.

Q6 **Nick Smith:** Say that again?

**Nick Smallwood:** I don't believe they would.

Q7 **Nick Smith:** You don't think they would be prevented?

**Nick Smallwood:** No.

Q8 **Nick Smith:** So how should private messages through WhatsApp tools be recorded in the public record in these circumstances?

**Nick Smallwood:** I would put it slightly differently: WhatsApp messages should not be the foundation for a contract. The contract mechanisms and contract procedures should be the control mechanism, not WhatsApp.

Q9 **Nick Smith:** And if WhatsApp messages are used for expressions of interest, how should that be recorded?

**Nick Smallwood:** Again, I would say that it is probably an inappropriate vehicle and you should have appropriate channels to record and capture all the expressions of interest.

Q10 **Nick Smith:** What would you do if you were managing a project and you had a WhatsApp message saying someone was interested in getting involved in the delivery of a contract?

**Nick Smallwood:** I would direct it to the procurement professionals to deal with it.

Q11 **Nick Smith:** And would you inform anybody else of that contact?

**Nick Smallwood:** Provided the requisite procurement professionals in the line were appropriately advised, I would be happy.

Q12 **Nick Smith:** Mr Vickerstaff, do you have any answers to those questions?

**Matthew Vickerstaff:** I don't think I have too much to add to what Nick has outlined. Recognising that for economic infrastructure and social infrastructure, the IPA is involved on a day-to-day basis with procurement procedures, it is absolutely critical that you have a full, open and transparent procurement process and ensure that the evaluation criteria are clear, transparent, measurable, subject to scrutiny and defensible under scrutiny. That is what the vast majority of Government contracts are actually privy to, and that is what happens, certainly in the IPA's experience.

Q13 **Nick Smith:** Thank you, Mr Vickerstaff. Have you ever had any of your old friends on the scrutiny board responsible for any projects you



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managed?

**Matthew Vickerstaff:** Old friends? No—not even new friends.

Q1 **Nick Smith:** And Mr Smallwood, have you ever had any of your old muckers being responsible for the governance and oversight of your work?

Q2 **Nick Smallwood:** No, I have not.

**Matthew Vickerstaff:** There is a conflict identification process that we would normally go through, and that would be flagged, clearly.

Q3 **Nick Smith:** Thank you for your answers.

Moving on to the main body of the Report, I enjoyed reading it again last night, before my tea. I think it is quite a reflective Report, as I am sure you would agree; it covers many of the complex issues that Departments have to overcome. In this Committee, we are used to seeing big-ticket promises made and jumping out of manifestos—promises involving huge changes to Government infrastructure, organisations and Departments. Of course, we have also witnessed the struggle to keep up with infrastructure investment despite pressures on Chancellors to pare back the best-laid plans.

This is an introductory question to you both, Mr Smallwood and Mr Vickerstaff. What is it about the Government's major programmes that makes them so challenging to deliver and, given your backgrounds, what are the differences in terms of the sorts of problems that arise in Government versus private sector companies' major programmes? Are there any lessons to be learned from the private sector in managing major programmes? Who wants to lead off?

**Nick Smallwood:** Maybe I can kick off and then we can invite Matthew to add his comments. There is no doubt in my mind that the UK Government have some of the most complex, novel and unique projects anywhere on the planet. They are commensurate with and probably more complex than anything you will get in the private sector. They range, obviously, from the Ministry of Defence, through complex IT, to huge transformational projects, with multiple IT systems and affected stakeholders, in the linear infrastructure space. By definition, they have never been done before, and that sets its own challenges from the get-go.

What you see in the private sector that is slightly different is much more focus on the front end—on the business case and getting the cost estimates to a level of accuracy that stakeholders can approve with some higher confidence of outcome. At least that is the theory. I say that because after 39 years in the private sector, I had done a lot of study of mega-projects—in other words, those projects for more than £2 billion—and what you will see from a number of studies, whether it be from Ernst & Young, Accenture or the Independent Project Analysis group, over the last four years is that, consistently, those large mega-projects—typically, 75% of them are overspent on cost; they are late by more than 25%. So we should be asking ourselves the question: what is it that the 25% that

are not over on cost and schedule do differently? We can speak to that in the ongoing questions, but I think that is really the primary difference: the people who get it right do things fundamentally differently and focus very much on the principles behind success.

**Matthew Vickerstaff:** I will happily add to that and perhaps draw on some of my own reflections on differences with the private sector. The first thing I would say is that the projects and programmes we have—if we look at HS2, universal credit, Crossrail and other projects—are some of the most complex, difficult and challenging projects that are being undertaken at the moment across the globe. Like you, I was rereading the Report last night. The area where I have a slight difference of view, from a private sector point of view—I do agree with a lot of the conclusions of the Report—is around schedule. I understand the comments in the Report around schedule, because in the lessons learned report that we undertook with the Department for Transport, we ourselves agreed with them that we should not be dealing with a certain date, a certain end of the contract, that is announced by Ministers 10 years from the likely finish of the project; we should look at ranges, just as we should on costs. That element of schedule I agree on, but actually the private sector are highly focused on schedule and when projects finish because of the cost implications and carrying costs of the finance they use to fund those projects. They are also exposed to inflation and cost increase risks, which is something that they focus very tightly on. I actually think we should be doing the same.

As Nick has just said, it is all around the front-end loading—I definitely agree with the Report—getting the cost estimates right but then getting a very accurate view of when schedule and things will be completed. So, just as you have a guaranteed maximum price and date-certain contract in the private sector, we should be focused on both of those things. We should also be focused on the schedule and having as much veracity around that as possible. Those are my reflections on differences with the private sector

Q4 **Nick Smith:** Thank you, both. I am sure we will tease out those points about investing in the front end of projects and trying to work out what the 25% do to get that right for lessons learned through today

My second question is a bit more detailed. This is to both of you. How and when do projects come under the IPA's oversight of the GMPP? At what stage in the project lifecycle do you tend to see the most problems? Mr Smallwood, when do projects leave the GMPP and who monitors whether they realise their benefits after that point?

**Nick Smallwood:** There is a lot in there, but essentially they join the GMPP when they meet the criteria laid down with Treasury and the IPA—there is a whole set of checks and balances that determine whether they come on programme or not. Typically, we see them as they approach the strategic outline business-case gate—occasionally we get involved earlier than that in the IPA—and thereafter we follow them and track them with



assurance events at each of the subsequent gates as they go through outline business case and final business case.

They are deemed to be able to leave the GMPP when they have delivered on their benefits and are considered complete and a stage gate 5 review is undertaken. We are going to be tightening the discipline around those gate 5 reviews to make sure that they are done with more rigour and more consistency. Once that is done, they can leave. We had 16 such projects in 2019 that left the programme.

**Nick Smith:** Mr Vickerstaff, anything to add to that?

**Matthew Vickerstaff:** I think you asked an additional question about when we see projects really undergoing difficulties. We have been spending a long of time reflecting on this. Undoubtedly, there is an increasing challenge around systems integration and not just in economic infrastructure. It is also seen in rail projects with systems and signalling systems and how those are integrated, especially when you have multiple signalling systems—and especially from running three services at the same time: overland, underground and then perhaps a new system like Crossrail.

It is equally true of hospital construction and of defence projects, which increasingly have highly complex systems IT. I think that is part of the way projects and systems are evolving over time. That is an area of particular focus. If you take Crossrail historically—probably 20 years ago—people would have been concerned about ground conditions and tunnelling risks, but the systems integration is equally problematic and needs a very strong focus. I would add that to Nick's comments.

Q5 **Nick Smith:** Thank you for that. This is the final question from me in this section. We are interested in recurring problems with major programmes and whether or not the IPA has sufficient teeth when Departments do go off-piste and projects do go wrong or there is a blaring sound that they are not sticking to best practice.

Mr Smallwood, why is defining a clear scope and objectives such a problem for some Government programmes? Where change is needed, what is required for decision-makers to best understand the scope and the impact of changes?

**Nick Smallwood:** In the limited time I have been in the role, I have seen some great foundations in terms of the process we have, but not so much discipline in following that process. That is an area we are addressing right now with the reset of the GMPP and the strengthening of the assurance gateway reviews done by the IPA.

To your point about why we do we not finalise and finish up on scope, I see a lot of choice being kept open. Ministers and Departments love to keep options and optionality open. We introduce a lot of change without discipline and controls. Late changes can kill a project; they will always have an impact on cost and schedule, and therefore benefits. We must be far more choiceful about the outcome and intent that we are trying to



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deliver. We must develop a scope that delivers on that and make a choice on scope as early as we practicably can.

It is very clear, if you read the Green Book, that you should be coming forward with clear business benefits calculated at the outline business case. The subsequent work to the final business case should be about calculating the true cost to deliver those benefits against a more accurate cost estimate. All too often, however, we have seen a number of options being kept open in the outline business case. You end up developing two or three options and you do not actually do the rigour on the preferred or selected option, so the choices are made late.

So I see a need to really tighten the assurance processes and hold Departments to account to make sure that they have made the right choices of scope to deliver on the outcome and intent against which they have calculated the benefits. The IPA has a huge role to play in fulfilling that role and being much more disciplined in stopping projects proceeding.

If I look at the historical behaviours, I have seen a number of projects that are amber rated or red/amber rated, and we have chosen as Government to carry on. I think that kind of behaviour has to change. We need to really focus on those projects that are red/amber rated to stop and reset and fix them—or not do them—and, for those that are amber, to be clear about why they are amber and to address the shortcomings to make them more likely to be successful as they proceed through the next gates.

**Q6 Nick Smith:** Anything to add, Mr Vickerstaff?

**Matthew Vickerstaff:** The only thing I would add is that recently, I think there has been almost a gear change. I do not think it is just the IPA actually. When we look at how Treasury colleagues focused on the comprehensive spending review, project delivery was one of the key lenses that they used to evaluate spending proposals from Departments. Indeed, right from the centre of Government—not just the individual Departments, but the Cabinet Office and No. 10—they were highly focused on project delivery.

There are added things that Ministers are looking at. The IPA has been involved in training Ministers on project delivery. We have run sessions with Oxford Saïd Business School, similar to the major projects leadership academy, recognising that Ministers are leaning in and saying, “Look, project delivery is really important. We want to know more and to be engaged.” That is really reassuring to see.

**Q7 Nick Smith:** I think all that is eminently sensible. You are relying on closing down options, making decision-makers choose and making them follow through, but do you have the teeth to make them sit up? What will you do to make them listen, so you can arrest the problems that we have seen many times in many places?

**Nick Smallwood:** It is perfect timing, actually, with the publication of the national infrastructure strategy and the reset of the assurance programme. We are getting a very strong mandate from No. 10 and the



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Chancellor to work with Treasury and, quite frankly, not fund and support those projects that are not in a fit condition to proceed to the next gate. I think it is a huge opportunity to build on the excellent process that we have, hold our backs straight at the right gates and not invest in projects that are not ready.

This goes back to the point that we raised earlier about front-end loading. No amount of hard work, good management, project management and engineering effort late in a project's lifecycle can turn a badly developed project into a good outcome. It all rests on the front end, and on doing the best possible job of front-end loading the project, being clear on what you are trying to deliver, developing sufficient scope detail to get the estimate accurate and then proceeding to an appropriate plan. We understand that now. We are building on all the good work that has been put in place to date, and I think we can make a step up to the next stage of performance.

**Chair:** Thank you very much, Mr Smallwood, for giving us very clear evidence. There is some interesting eye rolling at this end about what we have seen go wrong in the past. If only everyone was obeying what you have just laid out. Talking of experience in the past, over to you, Sir Geoffrey Clifton-Brown.

**Q8 Sir Geoffrey Clifton-Brown:** Good afternoon, Mr Smallwood. Your statement on the national infrastructure document is absolutely in line with what I want to ask you about. The Chair referred to the £450 billion-worth of major infrastructure projects that are in train at the moment. We have seen some absolute shockers on this Committee: the emergency services network, nuclear decommissioning, and delays to Crossrail and HS2 coming up on the rails. What is the chance that the extra £600 billion over the next five years, which the Chancellor promises in this document, will be delivered according to the ideals you set out in your previous answer?

**Nick Smallwood:** I think we clearly have an ambitious but achievable agenda. As Matthew highlighted, we have taken a combined review with the Treasury as the Departments have brought forward their spending round proposals, and we are strengthening a number of areas. We are strengthening the assurance review process, which I just described. We are strengthening the lens and focus in the Government major projects portfolio. We are also going to look to skill up our project professionals across Government, so early in the new year we are going to be launching the Government projects academy not just to look at our senior responsible officers and programme directors but to skill up all the project professionals involved in Government projects at a time when we have this ambitious national infrastructure strategy to deliver.

I am heartened by the fact that it is not a single effort by the IPA; it is a cross-Government effort, and we will have the checks and balances to drive it forward. We recognise that we have not afforded the senior responsible officers as much time as they should have on the major programmes, so there will be a major effort in the new year to recruit more very capable, competent programme and project delivery expertise,



from the private sector if necessary, to come in and help deliver this ambitious agenda.

- Q9 **Sir Geoffrey Clifton-Brown:** I am sure we will come on to skills, Mr Smallwood. If the project was not already ambitious enough—your words—it now has laid on top of it the Prime Minister’s remit in terms of our carbon-neutral emissions aim by 2050. Doesn’t that make it even more difficult to deliver these projects in a cost-effective, timely way?

**Nick Smallwood:** Net zero is a challenge facing everyone across the planet, and the UK is no different. We have time to develop the right approach by sector, looking at what is the appropriate response in the transport sector and the energy sector. There are a number of papers coming forward in the new year that will set out the road map to net zero by 2050 in the different sectors. The role is to make sure we go down that road map in an appropriate and timely way. I think it is achievable. It is going to need co-ordination and focus, which is now being put in place. It is essential that we do that.

Frankly, what I have seen is that, with the right focus on the detail, you can take cost and schedule out of major projects. Getting back to front-end loading, if you look at the data it will show you that the best developed projects—the 25% that you see in the private sector that do well—typically are lower cost and of a shorter duration than their counterparts that fail.

- Q10 **Sir Geoffrey Clifton-Brown:** One part of your answer there was the phrase “strengthen assurance”. What do you actually mean by that?

**Nick Smallwood:** It is about having the teeth, rather than just the process. The gateway assurance process that Government have is very good, but I do not believe we have always supplied rigour at every gate, against every GMPP project, and we should.

We have been doing an assurance reset within the IPA, looking for strength and focus, and making it a risk-based assessment rather than a judgmental opinion based on experience. Of course, you need the experience as well, but there are certain things that must be in place at each gate. Having the rigour and the strength of the assurance process to help you can be really helpful.

Let me put it into perspective. If you go to a project where they are clearly not ready to proceed, we have to be quite clear about that and stop proceeding, not fund it, and go back and fix the things that are wrong. There might be certain time-bound gaps and omissions that can be dealt with in parallel with the project proceeding through to the next gate and, again, they can be time-bound to make sure that they actually do address them. Then the assurance process needs to make sure that they did indeed do what you suggested had to be done to mitigate risk. Where I have seen that kind of process applied successfully, you typically leave better outcomes.



It is not an audit. An assurance programme is not about auditing. It is about helping the project team deliver on their intended outcomes and benefits.

- Q11 **Sir Geoffrey Clifton-Brown:** So if you saw a project that had a lot of political pressure to go ahead, but you felt that it was not in a state that was ready to go ahead, would you be very clear in your opinions in telling Government Ministers that that was the case, and that they should look at whatever was lacking or whatever was not at the right stage?

**Nick Smallwood:** Absolutely. I think it is the role of the IPA not to make the decision on which projects are invested in or not, but to give honest, professional opinions about their quality and ability to deliver, and to deliver confident assessments on that basis. Absolutely, that is our role.

- Q12 **Sir Geoffrey Clifton-Brown:** I have a very quick question—the last one from me at the moment. Mr Vickerstaff, you are used to dealing with the private sector. Do you think both the public sector and private sector have capacity to deliver the enormous volume of projects that the Prime Minister envisages?

**Matthew Vickerstaff:** I don't think that Nick or I are disagreeing with you that this is an incredibly ambitious agenda. It is a necessary agenda to support economic growth, hopefully rebound from covid-19, level up the country and achieve net zero ambitions. We have consulted, discussed and engaged with the private sector a huge amount as part of the national infrastructure strategy. We hear from them that in order for them to be able to invest in skills and capabilities, and, as it were, tool up with the right people and invest in the right ways of achieving things such as modern methods of construction and different ways of approaching infrastructure delivery that are more efficient and cost-effective, they need a long-term programme. They do not need a political one year on, one year off.

As we have found from the roads investment strategy and from Network Rail plus—

- Q13 **Sir Geoffrey Clifton-Brown:** You are giving a long answer, but you are not really answering my question, which is: do the public sector and private sector currently have the capacity to be able to deliver this volume of projects in the next five years?

**Matthew Vickerstaff:** We have mapped the supply chain and we believe that as this increases over time, as long as the private sector has stability of programme, it will invest in skills capability and can meet the really ambitious plans to which you allude.

- Q14 **Sir Bernard Jenkin:** I am encouraged by all the new behaviours we are going to aspire to, to stop projects in their tracks before they are ready to go ahead or before they are properly scoped. As you said, a lot of choice is being left open and that is adding risk to projects.

Behind our questions is that we are wondering, how do we hold the whole machinery of government accountable for blowing the whistle on itself,



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when we tend only to find out what has gone wrong long after the event? What mechanisms do we need to encourage that change of behaviour in Government?

**Nick Smallwood:** That is the nub: do you have a system that is performing well? That speaks to the fact that we have a fantastic foundation in Government. We have things such as the major projects leadership academy, the GMPP programme and the gateway assurance process. All the elements are there. The challenge is to ensure that we have the measures and metrics in place to tell us whether we have a system that is in control.

The IPA has done a lot of work in the recent past to get a lot of quarterly reporting in place across the GMPP. That is now starting to bear fruit with some trend in information that helps us to understand our performance on cost, schedule and benefits. But I think we have more to do. We need to build in some further metrics. I would like to see a lens focused around the estimating accuracy and whether we can compare our outcome performance with our input performance.

On the function, we are trying to think which key metrics we need in place to measure the performance of the functions, which would include the project delivery function. As you can imagine, those would include things such as the percentage of people who have not only been on the course but been assessed and accredited that they have the capability and competence at a particular level. Certainly, my private sector experience showed a direct correlation between proven, demonstrable confidence—assessed confidence—and outcomes of projects. As I mentioned, the Government project academy will be launched next year. That is exactly where we will go in assessing and accrediting the project professionals across Government.

Q15 **Sir Bernard Jenkin:** You can talk about all these assessments and danger signals in public and publish it. Nobody sits over your shoulder and says, “You are not going to put that out, are you?”

**Nick Smallwood:** No, my annual report is published and the data around the function is published. There are no issues there at all.

Q16 **Sir Bernard Jenkin:** Can you give an example of a project that you are warning is not ready, but on which there is a lot of political pressure to go ahead.

**Nick Smallwood:** I can give you an example of one where we behaved that way, although we had not launched the assurance reset. The lower Thames crossing had a hugely ambitious schedule, which was being pushed very hard. It was being done under the auspices of the RIS2 programme in Highways England, but it would be an order of magnitude larger than anything Highways England had taken on. We suggested that its delivery schedule was unachievable, so it needed to revisit what the cost of the project would be and how it would approach the programme of permitting. We said it needed a much stronger governance model. We refused to give it the outline business case support several months ago.



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I am pleased to say that it came back in the later summer and had addressed all the key elements that we highlighted. Yes, it is still an ambitious project. Yes, it still has some challenges. But it went away and thought long and hard and addressed the very issues that will get it outline business case support to proceed to the next gate.

Q17 **Sir Bernard Jenkin:** Are you able to look at the parliamentary restoration and renewal project?

**Nick Smallwood:** We can look, but not in a formal capacity. We give advice to the programme team over in other parts of Westminster. As you are aware, the body set up to oversee that programme is not a Government body; it is parliamentary. But it has consulted us. It has consulted the experts within the IPA—the commercial and project team.

I have been invited to look at the recent strategic review of the project, before it takes proposals to Ministers in the first part of next year. It is a hugely challenging project. I think it is being set up to make the right decisions and choices before it proceeds.

Q18 **Sir Bernard Jenkin:** So you approve of this pause for review—a re-review.

**Nick Smallwood:** I do. It is so complex and difficult, and it must be got right. It is looking only now at the boundaries: whether you decant or not and, if you do, what the givens are that Ministers require to decant successfully. You need to know all those boundaries before you can calculate the optimum minimum scope and the minimum duration for a decant, in order to perform what is going to be a highly complex project execution on a UNESCO world heritage site.

**Sir Bernard Jenkin:** Taking these two projects that we have just been discussing—

Q19 **Chair:** Sir Bernard, can I just chip in on restoration and renewal and ask a factual question of Mr Smallwood? Mr Smallwood, you say that you have been asked to look at it. Obviously, you were asked to look at the review, but, prior to the review, had the IPA produced any written reports or advice to Government about the restoration and renewal project for the House of Commons and the House of Lords?

**Nick Smallwood:** We were asked by No. 10 to give a view on what we thought the range of outcomes could be, but quite frankly the project has not been developed in any shape or detail to give anything other than an order-of-magnitude view on the cost estimate at this point in time.

Q20 **Chair:** Was that a private written document or is it in the public domain?

**Nick Smallwood:** I would have to check, to be honest.

Q21 **Sir Bernard Jenkin:** I find this really fascinating. The R and R project is a case in point. We do not really know how much it will cost. Figures are bandied about, but nobody has allowed themselves to be hooked on a figure or a timeline. That is rather disturbing, is it not? Or is it



comforting?

**Nick Smallwood:** No, I think it represents the state of the project. It is not even at strategic outline business case, in my view. In dealing with any project, you have a huge range of uncertainty. It is nothing more than an order of cost—it could be  $x$ , it could be  $2x$ . You actually have to choose and finalise the scope and then do some technical work on the scope to really understand the level of accuracy of the cost estimate. That work has not been done, so you are dealing with huge uncertainty until the scope is decided. I understand that that is what the strategic review was trying to help them get down to—finalising and determining the scope to be developed further.

Q22 **Sir Bernard Jenkin:** So when a Select Committee is scrutinising a project and officials or Ministers are reluctant to give hard and fast figures because they do not feel that they have the necessary information, should we praise that behaviour and support it as open and honest, rather than vague?

**Nick Smallwood:** Provided they give you a reasonable range. My advocacy is to make sure that you are entitled to see a range of outcomes. That range will be quite significant at strategic outline business case. My expectation is that, as you go forward to outline business case, you narrow that range down to plus or minus 25% or 30%. By the final business case, I would like to see cost estimates on the table with an accuracy of plus or minus 10%—recognising that some of the most complex and difficult projects will trend towards a P90 rather than a P50 figure—and then you get into the dialogue around who holds what contingency.

We have a huge opportunity in Government to raise our game in the quality of cost estimates and the quality of understanding within Government of what a good estimate looks like, rather than just deferring to the private sector to do the technical work and then tell us what the point cost is. That is not the appropriate behaviour, and my team are working right now on a standard for developing guidance on cost estimating. We have set up a cross-departmental cost estimating community to share best practice, and we hope to launch something next year to help all Departments do a much higher quality job on cost estimating.

Q23 **Sir Bernard Jenkin:** When we are told that a budget has been fixed and a contract has been signed, what are we misunderstanding about the transfer of risk?

**Nick Smallwood:** Well indeed. The transfer of risk determines how much risk and contingency the contractor puts into its price. The question is then whether they have a fixed price, with hard control measures, or whether the fixed price is the floor, which will increase up to something else. If you come along with late scope changes, you know that that will only go in one direction. That whole space of risk transfer, cost estimating, how you contract in the marketplace, how accurate you are and how you control



changes is all hugely important to determining the final cost outcome of a project.

- Q24 **Sir Bernard Jenkin:** But so often these very long and complex projects contain a lot of interdependencies. I am thinking particularly of Crossrail here. At the outset, they thought it was a civil engineering project, but it became a more and more complicated systems integration project, and then it became a railway prototype project. How do you measure those interdependencies and the risks in those interdependencies when you are scoping the project?

**Nick Smallwood:** I think there is some real learning there for the public sector from the private sector. My experience in the oil and gas world is that you work back from an operating asset and you understand what actually has to be done and in what time in order to have a safe, operable asset that is owned and understood by the future operator. All that should be done in sufficient time to allow you to engineer into the scope and the cost estimates the right work that needs to be executed. You are right: Crossrail set off thinking that it was a large civil infrastructure project. The reality is most of our projects going forward in the infrastructure space are going to have a significant component of digital and systems, whether they be road or rail, smart motorways, or all the gantries going up on the motorways; all the rail infrastructure in the future will be like that. I think the built environment is going the same way. We are moving towards national digital twin, and having 3D models handed over. I think understanding that finished asset, working backwards into the programme, factoring in what needs to get done and when, is a fundamental of good project management.

One other piece that I think we need to do in Government is focused on novelty, and actually to be really clear, and document what is novel and then understand: what new risks does it bring to the project? Can any of them be mitigated, or not, through testing and early implementation of systems testing, for example, or do you actually have to take the risk and therefore provide higher contingency levels in your cost estimate?

- Q25 **Sir Bernard Jenkin:** How do we stop all this being terribly forgiving of the people doing the projects? Nobody seems to be held accountable for a project that goes up and up and up in costs. It seems that projects only rise in costs. They never seem to come in cheaper.

**Nick Smallwood:** That tells me that we actually have to go back to basics on getting our cost estimates right. That is why I am making such a point about it. I think they are hugely complex projects in Government. They do have novel components. They do have increasing levels of digital coming in, and I think we have to really up our game in terms of the quality of cost estimating knowledge in Government, so that we can challenge any of the arm's length bodies or any of the contractors involved in the schemes on understanding the level of accuracy in build-up of their cost estimate; because you should be within a real tolerance of certainty. If you take approval at final business case and you have a plus or minus 10% cost estimate, 80% of the project should fall within the bell curve of that plus



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or minus 10%. Yes, you still run the risk—on the laws of probability—that you might have the odd overrun; but that should be the exception, not the rule.

Q26 **Chair:** Thank you very much, Sir Bernard. That is very interesting.

Can I just ask something on restoration and renewal, just going back to that point? You gave some informal advice to No.10 Downing Street. Do you know how that advice was used, and did that go into some of the discussions prior to the review being announced?

**Nick Smallwood:** I cannot say for sure, but I suspect it was a trigger for having a very thorough review and reinforcing the whole governance of that programme going forward.

**Chair:** Certainly there has been some citation that there was a sort of formal bit of work done by the IPA on this. We might want to pursue that with you in writing but obviously, as you are aware, the National Audit Office has also got a remit in the legislation on this issue.

Q27 **Dame Cheryl Gillan:** Good afternoon, gentlemen. I just want to start to take you into the areas of governance and oversight, because this is something which is extremely important, and where we perceive there to be weaknesses—certainly from the NAO Report. Can I start with you, Mr Smallwood, and just ask you what factors you think are the most important for Government to consider when establishing governance and oversight arrangements for a major programme? I am thinking in particular of the R and R project, which you have just been talking about, in so far as it is going to be an arm's length body, and particularly HS2, where we have an arm's length body.

**Nick Smallwood:** Actually, the restoration of the Houses of Parliament is a parliamentary project. It is not an arm's length body or anything to do with Government, so I think you have to look closely at how that whole governance system has been set up for the R and R project specifically.

Q28 **Dame Cheryl Gillan:** On the R and R project—I appreciate that you have an arm's length relationship with it—do you think the way in which that has been set up is correct? It is an arm's length body from Government, but it is still taxpayers' money.

**Nick Smallwood:** I think they have actually taken the time and effort to put some deep professionals into the right place. They have an appropriately structured sponsor body and they have a development and delivery body with some deep experience in that body on delivering complex programmes. So, yes, I do. It has all the hallmarks of being well set up.

Q29 **Dame Cheryl Gillan:** And the ALB—the pattern that is exhibited in HS2?

**Nick Smallwood:** I think it is really important when you have some of these large complex projects that you can actually have professionals from the private sector come into those arm's length bodies to deliver on those complex programmes. It is appropriate that they are not burdened with



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the day-to-day business as usual of the Department. The arm's length body model, I think, is a good model. There are plenty of examples of where arm's length bodies have been set up to deliver quite large programmes, like Highways England, Network Rail and even the Nuclear Decommissioning Authority, with their reset—all are doing pretty competent work.

When you have a one-off project, there are lessons that we can learn on how to do it right and do it well. My personal view is that Crossrail has been quite complex. HS2 has a huge scope to take on. You might in hindsight look at whether it would have been appropriate to carve out phase 1 as a delivery entity just to deliver phase 1. It is a very large project on its own. That said, of course there become economies of scale if you choose to go ahead with any other elements of HS2. You do not have to mobilise and set up further separate, independent arm's length bodies, which will replicate and duplicate many of the functions that have now been established in HS2 itself.

For me, it is about having the right relationship between the Department responsible for the project and the arm's length body itself, having the right governance over that arm's length body, and then making sure that the arm's length body has the right competence, skills and experience to deliver on the intended outcomes, and that they are sharing and apportioning the risks to the supply chain in the appropriate way.

**Q30 Dame Cheryl Gillan:** Do you need to add anything to that, Mr Vickerstaff?

**Matthew Vickerstaff:** No, I don't think I do. Nick has confirmed that the R and R project is a parliamentary project. It is not a Government project. It reports into the two Houses; therefore, there is no responsible Minister and it will not be in the Government's major projects portfolio.

**Q31 Dame Cheryl Gillan:** That in itself is alarming, because you start to wonder where the buck stops.

**Matthew Vickerstaff:** It stops with Parliament.

**Q32 Dame Cheryl Gillan:** Well, it may stop with Parliament, but it is a collective responsibility as opposed to one where we can identify clear lines of responsibility. On the governance points, from what you are saying, Mr Smallwood, it also depends on the capability of the Department itself to manage the projects. We know the amount of projects coming through. The pipeline in the Department for Transport is, I think, between £12 billion and £20 billion in the next year on its major projects, which is alarming in itself.

Although the Department for Transport has increased its numbers of civil servants, I think, since 2010 by about 40%, you have to ask whether that is the right structure for governance over something like HS2. HS2 Ltd appears to have complete autonomy but is not necessarily taking responsibility for mistakes and things that go wrong in the project.



**Nick Smallwood:** Specifically on HS2, we are able to point to the programme board. There is a client board, and a ministerial board now that sits monthly, scrutinising HS2. They have significant oversight. Within the Department for Transport, they are as we speak recruiting another DG to free up the individual responsible for HS2, so they are full-time and able to focus just on HS2.

I know the permanent sec is also looking to recruit additional senior responsible officers for the ambitious programme that they have going forward. In the last 12 months, they have appointed a PMO lead, a chief portfolio officer, to look at their broad lower-value projects across the Department. Steps are being taken. There is more to do in the DfT for sure, but I think that they understand the size of the challenge.

- Q33 **Dame Cheryl Gillan:** But 11 years after the project started, it is a little late, isn't it? All the mistakes have already been made and embedded. The lessons learned, which is what the NAO Report is trying to look at, seem to have been taken on board very slowly and rather imperfectly when it comes to something like HS2.

**Nick Smallwood:** I recommend and commend the NAO Report, which talks a lot to what the IPA published in the summer when we published our principles for project success. You will see that there is very strong alignment with the principles that we highlighted as opportunities for improvement across Government to really focus much more heavily on outcomes, be more realistic in the planning, prioritise getting the right people on board at the right stage, and so on and so forth.

It is a bit late to come along to a project that may not have followed all those best practice principles and try to fix it, but I think the best you can then do is govern and make sure that they deliver on the current promises.

- Q34 **Dame Cheryl Gillan:** When you were appointed, you said you were guided by your three Ps: people, performance and principles. Can I just look at people? To have faith in good governance and oversight, you also have to have faith in the people who are appointed to the projects. Forgive me; I am using HS2 because I am somewhat involved in it, as it goes right through the middle of my constituency, as many people appreciate. I have looked at the revolving door of executives and people involved with HS2, and I am worried about good governance. When new high-level jobs outside the civil service are looked at, we usually consult the Advisory Committee on Business Appointments, or ACOBA, but I understand—the spokesman for DfT confirmed this—that HS2 employees fall outside those rules. We are increasingly seeing a revolving door—for a former CEO of HS2, the current CEO, and CH2M. There was a conflict of interest when HS2 was forced to replace CH2M staff in key decision-making roles, to avoid conflicts of interests. How can we have confidence in the governance of such a major project like this when we see so many people moving in and out of consultancy jobs on the project and, quite frankly, being paid vast sums of money, including huge bonuses over which they appear to have control, when the Government has no control



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as to whether those bonuses are awarded or not?

**Nick Smallwood:** Very briefly on HS2, in my tenure in the IPA, I have not seen a revolving door. It is the same CEO. It is a new CFO, who has had a profound impact. The chairman is the same. They have done a really solid job of looking at competencies, skills and programme gaps in order to then resource key people into key positions. I do not recognise a revolving door there per se, but I recognise that people are our most important asset for delivering our major projects and programmes. Specifically, the senior responsible officers are key. There, interestingly, the data shows that the tenure in role has moved over the last few years from three and a half years to over four and a half years. The problem is not with tenure; the problem is the fact that they need to stay slightly longer, because many of our projects last longer. More importantly, they have more than one project on their books. They typically have four or five, and they are not being afforded the time in role to do the necessary work. Part of our agreement in contributing to the NIS and spending review is to say that we need to recruit 25 to 35 more senior responsible officers with deep programme project delivery expertise and deploy them to our most critical projects and programmes, because they are the key individuals. They are the individuals who can set the rules with our arm's length bodies about who agrees to release staff from key positions. We have had that discussion recently—you can contract and say it is the approval of the client who decides when people can be changed out or go. You can never stop someone resigning, of course, but you actually want to create a culture and an environment that is focusing on success and programme delivery. We have some fabulous schemes that people want to join in Government, but we do not have enough of those senior responsible owners to drive them forward at this point in time.

Q35 **Dame Cheryl Gillan:** I have to say, Mr Smallwood, it is jolly good that the revolving door stopped at HS2 after you arrived, but I can assure you that plenty of people have been involved in that revolving door, and I do not know how we manage to control that.

Can I move on to what the NAO Report said on underlying data on the costs and benefits of programmes? They said that it was often poor or non-existent. Why do programmes struggle to get the right quality of information to monitor progress?

**Nick Smallwood:** If you start from the premise that you had a ministerial announcement on how much something was going to cost and how long it was going to take, and the scope is not decided, you have the wrong cost estimate. You will have a DCA amber/red for the life of the project, and you will be forever challenging and fighting to get back the intended benefit. The foundation of having everything in control is having the right scope, the right cost estimate and the right schedule against which you calculate the benefits, and then tracking all those elements.

Within the IPA's annual report we do track all those elements, but it is a bit of a moving feast at the moment because of, in my view, a lack of discipline on some of the cost estimating we have done historically. I know



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that every Department does it slightly differently, and I know that there are different rules for how much contingency is applied and so on, though if your cost estimate is not in the right place, it is very difficult to track everything else.

Going forward, we are bringing in that discipline to pin down the cost estimates and do a much more thorough job of calculating the benefits against intended outcomes, because if you are less clear in that space, they evolve over time, and that is not helpful either. It is about having that discipline on the front end to be clear on what we want and what success would look like at the end—the outcome—and then having the discipline to not introduce late changes unnecessarily. Things do happen over time, but we have to be choiceful about what changes we introduce.

I have seen certain programmes re-baselined 11 times through policy changes, and of course, if you re-baseline the schedule, you will impact the benefits. There is a huge opportunity to be more disciplined at the front end, in my view, and to up our game on cost estimating, and then the programmes have the data. Where our supply chain is doing projects, where we have apportioned risk to them, I am certain they will be tracking cost and schedule on a monthly basis with quite some degree of detail.

**Q36 Dame Cheryl Gillan:** The NAO Report said that much of the supporting evidence is insufficient or out of date, and there is a disconnect between the working level and the information presented to decision makers. I would also tie that to bonuses for senior executives, because if you are getting paid in arrears with bonuses, the governance, the oversight and the information on the project are important. However, it would appear that that is not the case: people take their bonuses, and the information on which they are based is poor.

**Nick Smallwood:** I can speak with some degree of knowledge on HS2, where there are 3 million pieces of data brought together for the monthly report. It is scrutinised in quite some detail by the working level, then brought up all the way to be approved by the HS2 board, and then it is presented at the ministerial taskforce group. I think there is quite some rigour in that space, which is what I would expect on a major project or programme. I would expect to see on every project and programme that there is sufficient accuracy of reporting.

Where I think it has been slightly weaker is on benefits; they have presented an outline business case and FBC, but we have not made a thorough job of tracking them through the life of the project to ensure they are maintained. I think we can improve in that space, and we intend to do so. Matthew, I don't know whether you want to add to that?

**Matthew Vickerstaff:** I have a couple of points to add to what Nick has said—not the point about the quality and veracity of the data, which I think he commented on, but in terms of systems and collection, we have worked closely recently with Treasury and the Departments to ensure that data is being downloaded in real time into financial systems. That development systemises things and also reduces the potential risk and



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danger of too many manual interventions, which can mean that you can have poor data. That is one thing we have recently done that is working better.

On benefits realisation, we have the final gate for the project's coming off the GMPP, which involve projects' estimating their benefits and committing to monitoring those benefits. As Nick said, that is historically something that we have not done enough of across Government, but with the Barber review and the focus on outputs, benefits and the social value piece, I think we are getting better in Government at focusing on benefits realisation.

**Q37 Dame Cheryl Gillan:** Yes, well, that remains to be seen. I just want to press on another learning point that came up from the NAO Report. The NAO Report said: "Organisations should examine their own, and their contractors' culture and behaviours to ensure that they allow an effective line of sight from the working level up to the decision-makers, as well as to the wider public." I think that is most important. In particular, "They should also ensure that commercial arrangements incentivise transparency and honesty within the supply chain."

What do you think can be done to encourage a more open and honest culture so that people speak up, rather than continue to try to meet unrealistic costs and time schedules? How do we get round the fact that so many contracts are "commercial in confidence" and are therefore not released to the public? There are literally hundreds of non-disclosure arrangements that have to be entered into between a project and its suppliers.

**Nick Smallwood:** Let me start by saying that I absolutely agree with you: behaviours, transparency and openness are the foundations of effective project delivery. They are the subject of two of the project principles that we published in the summer. One was "Prioritise people and behaviour", and the other was "Tell it like it is". We used the example of Crossrail, where people deep down in the detail of the project understood where they were with systems completion, and yet none of the monthly reports really alluded to that.

You have to have the right level of accuracy of data, knowledgeable, competent people who are delivering it to the key decision makers, and decision makers who know what to look for. It is our role in the IPA to help train and educate people in what to look for in good programme and project management, and control and oversight, and then they can go and do it. You build that culture and those behaviours over time. Transparency of data is the foundation on which you can call out wrong behaviours and performance.

**Q38 Dame Cheryl Gillan:** But what if you can't get access to that data? Returning to HS2, many of their reports and board minutes are redacted, so you can't actually see what is in the reports. You get instances where they are not published for months, and Members of Parliament such as me have to chase up those reports to even have sight of what is



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happening in those projects. How can you have confidence in the governance and what is happening on projects such as those, where we are spending billions of pounds-worth of taxpayers' money? How do you know they are operating well?

I would particularly like to hear your view on the non-disclosure agreements. You have literally hundreds of NDAs signed by contractors with HS2 Ltd and the Government, and on other projects. These are not defence projects—they are not military projects. They are bread-and-butter projects such as building a railway.

**Nick Smallwood:** It is absolutely fundamental that you have control and governance. For HS2, there is the programme board and the client board, which get access to all the data and can see that information. What is important is that balance between—

- Q39 **Dame Cheryl Gillan:** Can I just stop you there? It is all very well for the boards that are intimately engaged with the project to have it, but what about scrutiny by Members of Parliament such as me and my colleagues, who cannot access that data?

**Nick Smallwood:** I was going on to say that there is a balance in terms of providing the detail publicly on commercially sensitive information, which some of the bidders within the project itself would love to get hold of. You have to recognise the commercial sensitivity within the detail. That said, the overarching data should be readily and publicly available. Certainly, the IPA publishes all the cost and schedule information at a high level annually and quarterly to the Departments. The governance of HS2—the client board—is the oversight board for the Department for Transport, so they have access to the detail.

- Q40 **Dame Cheryl Gillan:** But it doesn't matter, in your view, that Parliament can't scrutinise that in detail?

**Nick Smallwood:** I think there is a balance between freedom of information and commercial sensitivity. You want to hold the supply chain to account and not give all the secrets away, which would cause misbehaviour in the supply chain.

- Q41 **Dame Cheryl Gillan:** Okay. So you are content that Members of Parliament don't have access to that detail and are considered to be a bit of a nuisance, of course, when they are scrutinising projects like this so closely.

**Nick Smallwood:** For HS2, there is a Minister accountable—Minister Stephenson—who chairs the monthly ministerial meeting. That is made available to Ministers, and the Chief Secretary to the Treasury too. There are Ministers very close to the monitoring and oversight of HS2.

- Q42 **Dame Cheryl Gillan:** This is my last question in this section. Four years ago—I was on the Public Administration Committee with Sir Bernard, and we were very concerned with leadership and governance—this Committee raised concerns that the IPA risked becoming too much of a champion of Government projects at the expense of challenging performance. Were



we right to be concerned?

**Nick Smallwood:** It is all well and good to look back in hindsight. I have obviously come in new to the IPA, and what I have seen is a really solid foundation, in terms of the education programmes, the project leadership programme, the MPLA and the bones of the gateway programme. But I do believe that there are areas that we need to improve, and I have set about a reform of the IPA, separating out assurance from public support—that is something that we have just recently done. I have stepped up the focus of the assurance group, focusing on really risk-based decisions. We are going to move away from a colour coding of assurance review assessments as red, red/amber, amber, amber/green and green, to saying that it's one of three: it's good to go; it needs fixes; or stop and reset—so red, amber and green.

Our mandate has been reinforced by this Government, which is really helpful. It is up to us now to step up. We are only a very small group, of 200 FTEs, so we need to be focused on the most important Government priorities. With our recent mandate, we have been given a lot of support to have more teeth. We are actually drafting a mandate to be signed off by Ministers to make it absolutely transparent what our role is and is not and, equally, to document what we believe the role of the Departments is. I think we have a huge opportunity to be helpful to Departments in understanding what getting to green at the stage gate looks like, but equally, when they are not there, to hold them to account before we proceed.

Q43 **Dame Cheryl Gillan:** One last question from me in this section, Mr Smallwood. You are very keen on transparency, but I understand that the IPA has not published all its reviews of HS2 and that you have argued that it might undermine their candour to publish them. Can you now publish those reports for us, please?

**Nick Smallwood:** No, I still stand by what we have said. We have consulted with the freedom of information group and Cabinet Office legal, and it's a balance of the public interest versus people being honest, open and transparent with the review teams. My worry would be that if they are always published, people are not going to have candour, they are not going to be open and transparent, and we are not going to get the learnings embedded in the go-forward plan. So we have stuck rigidly to the belief that the assurance reviews that we do internally should not be shared. The data is shared: the performance data is shared openly and transparently on an annual basis in our published report.

Q44 **Dame Cheryl Gillan:** But there can be no external scrutiny of projects such as this if you continue to stick to that line; and quite frankly, it means that one of the largest projects that taxpayers' money is being spent on cannot actually be scrutinised in detail through the process of parliamentary scrutiny. So I return to my question: do you think that you are risking becoming too much of a champion for Government projects at the expense of challenging performance?



**Nick Smallwood:** I don't believe so. I think it is our role to be independent challengers of the projects, and that we will continue to do.

Q45 **Dame Cheryl Gillan:** How can I trust you if you do not publish the documents that you are challenging?

**Nick Smallwood:** We publish the performance data on an annual basis. I have seen the experience in the private sector where the assurance review data is made public and the behaviour changes. You do not get the value out of the reviews; they become tick-boxes and don't add value. I strongly believe that we can add value. We can hold the Departments to account. We can stop projects when they need to be—we can be very clear and advocate support where we think they are ready to proceed.

Q46 **Dame Cheryl Gillan:** You can stop projects. Can I ask you this, then? We had the permanent secretary from the Department for Transport, Bernadette Kelly, in front of us a few days ago, and I asked her specifically whether she would re-evaluate HS2. In your own report, a red classification, which you have been talking about, means that the project may need rescoping and/or its overall viability reassessed. You said earlier on in this evidence that you would stop, reset and fix those projects that were in red. Why have you not done that with HS2, which had been amber/red throughout its classification and has now tipped into red?

**Nick Smallwood:** We need to be clear on whether we are talking about phase 1, phase 2a or phase 2b. Phase 1a is approved and running. I would not advocate stopping that project; that decision to proceed was taken earlier this year and it—

Q47 **Dame Cheryl Gillan:** Your report merely says High Speed Rail programme, HS2. So you are talking about the whole of the project, including phase 1, and it had been red/amber all the way through, for one, two, three, four, five, six, seven years in your report, and in 2020 it tipped into the red.

**Nick Smallwood:** What you will see from the work we did is that we gave support to proceed with phase 1 and we gave strong counsel that phases 2a and 2b needed further scrutiny before they proceeded. In fact, there is an assurance review planned on phase 2a in quarter 1 next year. We have been strong advocates of really scrutinising the scope and choices around phase 2b, both the eastern and western legs. That will form part of the integrated rail plan review, so there are no decisions taken there. That is what we meant by reviewing that scheme. Matthew, I do not know if you want to comment from the reviews that you have been involved in.

**Matthew Vickerstaff:** No, that is exactly right. Anecdotally, on the suggestion that Stockholm syndrome might be happening, I can only say that the projects and programmes that we review certainly do not give us that feedback. They do feel that they are being challenged. The best projects and programmes welcome that. There is a small minority that do not like the scrutiny, but actually it is a pretty tough, rigorous process. As you can see in the ratings, there are no problems with calling out red



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performance. I know that does not necessarily get you to where you want to be, but I would push back on us being just proponents and keen to see projects being supported and carry on.

**Dame Cheryl Gillan:** I will come later to how you measure your success. For the time being, I will stop there, but I will revisit the classifications later, with the Chair's permission. Thank you both.

Q48 **Sir Geoffrey Clifton-Brown:** Mr Smallwood, you have given us a lot of useful—very professional—information, but to continue with Dame Cheryl's point about transparency, you and Mr Vickerstaff have said that projects run better where there is maximum transparency. In your assurance reviews, however, which you do privately, you have instances in the private sector where, if those reviews become public, it can alter the behaviour of contractors.

Nevertheless, this Committee is the Committee that scrutinises public money. Can I instance to you the reading room terms on which the Committee took advice around the time of the demise of Carillion? We were given access, on confidential terms, to a whole range of other Government suppliers so that we could assure ourselves that there was not another Carillion in the pipeline. That information was so sensitive that, if it had leaked, it would certainly have had implications on the share prices of those firms. If the Committee can have access to that sort of information, why can we not have access to your assurance reviews?

**Nick Smallwood:** I would have to take that on advice with respect to the freedom of information conversation and Cabinet Office legal advice that the IPA have previously received. I was not on seat at the time that conversation happened, so I would have to review what was said at that time, unless Matthew has any knowledge of that.

Q49 **Sir Geoffrey Clifton-Brown:** The reason I ask that is that before Dame Cheryl came on to the Committee, Parliament was effectively kept in the dark for a year, including over a general election, about how far off track—excuse the pun—HS2 was going in terms of finance. That was completely unacceptable.

Eventually, we caused the Government to admit that they must account to Parliament, and that was the genesis of getting these six-month reports on HS2. Without the work of the Committee, that would not be happening now. That is really important to parliamentary and public scrutiny. So I urge you to think about openness and transparency, even if it is on confidential terms. I hear what you say, however, and I would be grateful if you would come back to the Committee on that.

Can I pick up on one or two other bits and pieces that Dame Cheryl raised, such as the important issue of SROs, who play an important role, as you have admitted? In a lot of the big projects that the Committee has examined in detail, where they are going wrong, it seems that not only has there been a string of SROs—each one having to learn the whole project afresh—but it is almost Buggins' turn to become an SRO, who happens to be the appropriate person in the civil service who might be of



the right grade to take over that role but who does not necessarily have the correct experience.

For some of these really big, complicated projects like HS2, would it not make more sense to draft in one of your colleagues from the private sector and make sure that they are the SRO with the proper experience and skills, and that they will be there for the life of the project?

**Nick Smallwood:** You hit exactly on a key subject: getting the right SRO with the right skills on the right seat for the right duration. That is an area that in 2021 we will focus strongly on fixing. I mentioned the additional 25 to 35 SROs that we want to bring in, and we absolutely do want to bring people in with the requisite skills in major project and programme delivery.

I do not think we have had so much of a revolving door with SROs; it is more the case that we have not got the right level of skills, experience and expertise to deliver some of these really, really difficult and complex projects. That is why, in addition to having the major projects leadership academy as a compulsory and mandatory attendance requirement for SROs, I want to go one step further and do an assessment and an accreditation of them specifically, to ensure that we can put a hand on our heart and say that they do have the requisite skills to deliver what are essential programmes.

We also need to attract them to stay on seat for longer than 3.5 to 4.5 years. We want them to stay to critical milestones on some of these large projects, which in some instances run for many, many years. To do that, we need to find a reward mechanism that makes it really worth their while. We are looking right now at whether we can introduce competency-based pay mechanisms, use the pivotal role allowances and actually reward those SROs who are truly doing an outstanding job to stay in those critical roles and deliver what are essential, vital projects for the citizens of the United Kingdom. That is all work in plan for next year and funded as part of the SR settlement.

**Q50 Sir Geoffrey Clifton-Brown:** That sounds absolutely fantastic, and it is a change from what has gone on in the past. The only thing I would ask you in relation to what you just said is: will all of that apply to someone who is not necessarily a civil servant but from the private sector who could be brought in specifically to be an SRO for a specific project and then go back to his former private sector job?

**Nick Smallwood:** If we want them to deliver on great programmes and they are really good, I would not be too keen on giving them up to go back to the private sector, actually. I would want them to stay and go on to a second programme. We have not really explored that in detail. I think the challenge will be attracting people into Government. If we can get a competitive salary—not something that matches what can be earned in the private sector, but a competitive salary—the projects and programmes we see in Government are second to none in terms of complexity and challenge, and I see many people who would love the opportunity to come in and help us deliver them.



**Q51 Sir Geoffrey Clifton-Brown:** You are absolutely right that you will probably never be able to match the private sector salary for the right person with the right skills, but if they came in and delivered a really complex public sector project successfully and on time, they might be able to go back to the private sector at a hugely increased salary. That would be an incredible incentive, would it not?

**Nick Smallwood:** It would, and it is something that we should consider in our plans for the new year, for sure.

**Q52 Sir Geoffrey Clifton-Brown:** Thank you. Could I take you back to the national infrastructure strategy, which you referred to earlier? On page 79, it says, "The government has too few project delivery professionals equipped with the right skills, and projects are often not set up and managed well enough to anticipate and prevent delays and cost increases." We have talked a lot about skills, but will the academy address that skills shortage, particularly in project managers, who are the rounded people who will ensure that whole projects are delivered? We have talked about Crossrail, where we had enough civil engineers but not enough electrical consultants or railway operatives involved. We need a project manager who can combine all those skills to deliver the entire project.

**Nick Smallwood:** The ambition is that we do in fact have a community in Government that can deliver all of our ambition, including the smaller portfolio projects. To deliver that, you need to do a capacity capability assessment across each Department, which we have just concluded, and we have highlighted the gaps by Departments and areas where we need to step up.

The Government project delivery function is 14,000 professionals across Government, but we need to be doing an assessment and accreditation of all of them to understand how many master and senior practitioners we have got and how many are maybe just at foundation or practitioner level and need further training and education. Understanding your community and then upskilling them is a fundamental part of what the Government's project academy will be doing as it is set up in the new year. Yes, we can do what is required to get skills up. It is about having people who deeply understand the elements of front-end loading and of cost estimating, and what good looks like in terms of compliance with the principles of project success that we highlighted. We are on that journey. There is more work to do, but I am confident that we will get it done.

**Q53 Sir Geoffrey Clifton-Brown:** Sorry—can I try one more question to you, Mr Smallwood? Perhaps I was not clear enough in the question that I was asking. Using Crossrail as an example, it was not the actual building of the railway or even the tunnels that was the problem; it was the electrical integration of the systems—the systems actually being able to talk to each other—and then somebody who understood railways being able to integrate Crossrail into the existing railway.

It did not seem to me that there was a chief executive who was able to bring together all those skills and deliver the project on time and on



budget. Therefore, you need trained project managers who are able to bring all the different skills together and deliver a project. You talked about huge numbers. It is not the numbers that are important; it is the one person who is able to deliver that project who is really important.

**Nick Smallwood:** I could not agree more. It is key. The SRO is a key role. The programme and project directors are absolutely key roles. To your point, we should not be taking in solid, strong civil engineering background people to deliver these complex programmes; they need rounded professionals who have the right skills and understanding of the risks to delivery.

Q54 **Sir Bernard Jenkin:** Mr Smallwood, can I pick up one or two points from earlier? I must say that I am enjoying your evidence very much; it is very instructive. Just to be clear, if Parliament wanted the IPA to produce something for publication about R and R, can you see an obstacle to that, apart from the fact that the Government would need to agree to allow you to do it?

**Nick Smallwood:** No, I can't. We would do a structured assurance event, as we would for any other project.

**Sir Bernard Jenkin:** We need to give public confidence in this project if it is to go ahead. It would seem to me that something like that would help enormously.

**Chair:** We need to remember that, as Mr Smallwood said, R and R is not strictly a Government project. We can debate that endlessly, but it is not on their list, so it is a different focus.

Q55 **Sir Bernard Jenkin:** I appreciate that, but we can put it on their list. Secondly, in the example you gave of Crossrail, you wanted people down the food chain in the project to tell it how it is. Does that not require a very high level of trust that the boss wants to hear the bad news? How do you create that level of trust in an organisation? It is quite obvious that, for quite a long period at Crossrail, the top did not want to hear the truth. The usual story is that the people in charge are the last people to hear the truth.

**Nick Smallwood:** I think you correctly answered the question. It gets down to the leaders at the top, and the behaviours that they instil in their subordinates. They have to have the willingness to hear good news as well as bad news, and bad news timely. You have to tell it how it is. I have always had an adage: I do not like bad news, but I like to hear it if it exists.

Q56 **Sir Bernard Jenkin:** What is the IPA doing to develop good leaders in project management?

**Nick Smallwood:** That is all about the major projects leadership academy and the project leadership programme. We recently re-procured the project leadership programme and refreshed the curricula based on all the lessons learned historically. We will do the same with the major projects leadership academy in 2021, building in all the elements that we have



touched on today about systems integration, what good leaders look like, and what we expect in terms of the foundational elements of good project delivery. It is a real opportunity to reset and make sure that we update a scheme that started in 2012. It has some great elements, but it is a little out of date given what we know today.

- Q57 **Sir Bernard Jenkin:** Is that about developing civil servants and other people in the public sector to be great project managers? I feel there is a bit of a religion about bringing in superheroes from the outside world, who very often turn out to make the same sorts of mistakes, or come and go too freely.

**Nick Smallwood:** I think it is a blend. It is a mix. It will be about getting the right people with the requisite skills on the right programmes, in my view. I do not doubt that we have experts outside in the private sector who would do well. We have seen a few people come from the private sector, me included, who had experience there. Equally, on some of the more transformational programmes, it is helpful to have people who understand the operation end of Departments. They can typically do a better job of those difficult transformation projects. For me, it is horses for courses. It is about understanding the requisite skills and doing a degree of assessment of whether you have the right person in the right place.

- Q58 **Sir Bernard Jenkin:** I am minded to ask, what is changing at the MPLA to bring it forward and make it more relevant?

**Nick Smallwood:** We will be looking to build in all we have learned over the last few years from the NAO Reports, and from our lessons learned from recent work we did with the Department for Transport on their lessons for the delivery of major rail and road projects. We will try to make sure that the curricula cover not just the soft skills of complex, difficult leadership but also those key elements of successful project and programme delivery.

- Q59 **Sir Bernard Jenkin:** My colleague Dame Cheryl asked you earlier, "How can we trust you if you do not share your reports with Parliament?" I am not sure I agree with her on this point. How can the project deliverers trust you with their information if they think everything they say to you privately is going to be made public? Does that ring true to you?

**Nick Smallwood:** Absolutely. I think we have a good relationship with the Departments in terms of the data provision. The basis of our quarterly reports is on their data, not my data. They provide the project data that we analyse. At the end of the day, we publish their data on an annual basis.

That relationship is key to being transparent within Government and how you deliver. It gets back to Matthew's point. Provided we have an honest relationship with the Departments, which are ultimately delivering these projects, not the IPA, I think we can carry out our role to be the centre of excellence for the project profession, and the centre of excellence for projects and programme delivery.



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Q60 **Sir Bernard Jenkin:** But I also agree that that assurance could be shared on a confidential basis with MPs on the relevant Committees, so that it could inform our reports without actually being published. That would give us confidence, as well. Could you see that working?

**Nick Smallwood:** We will look at how we can make that work and look at what was previously discussed with FIO and the Cabinet Office.

Q61 **Sir Bernard Jenkin:** Finally, there is the question of whether Departments are learning lessons in applying them. Do you see much evidence of that?

**Nick Smallwood:** I have seen some. Specifically, I mention the Department for Transport where we did a major programme, PDIP, last year, working collaboratively with the Department on their lessons learned, based on the challenges they saw coming out of the Crossrail delivery and the early signs from HS2. I think Matthew was close to that work, so he may want to say a little bit more on that.

Q62 **Sir Bernard Jenkin:** Perhaps, Mr Vickerstaff, you can give an example of a Department learning a good lesson from a project?

**Matthew Vickerstaff:** I think DfT is absolutely right. Around the same time, or slightly before, the National Audit Office came out with their Report, we jointly produced a lessons learned report on major transportation projects with the Department for Transport, and created their project delivery improvement plan, which was with Bernadette Kelly and colleagues.

At the same time, we also formulated and created the infrastructure steering group, which was created by John Manzoni and subsequently taken over by Alex Chisholm, to spread that learning of the PDIP across all infrastructure-heavy Departments in Government. That went to accountability, governance and portfolio management. We have talked about skills and capability, increasing the number of SROs and making sure that there weren't multiple projects being undertaken by SROs. They have gone a long way to rolling that out, but these things don't happen overnight and it is a long-term improvement programme that they have under way.

Q63 **Sir Bernard Jenkin:** What can you point to that we can see now as the—

**Matthew Vickerstaff:** They have reconstituted their investment committee and how they look at projects. They have created a portfolio office that does a combination of improving the quality of papers, data and information that is produced for that investment committee. We talked about HS2; they had two Government directors go on to the board of HS2, which happened at the time of notice to proceed. That is also being championed by Ian King, a non-executive director of DfT, to give it a bit more independence and teeth in terms of its delivery. That has been a fundamental change in the way the DfT operates and works, as has the recruitment that it has undertaken—those are concrete things that it is doing.



Q64 **Sir Bernard Jenkin:** Finally, may I just ask you both how much support IPA gives to projects that are not in the Government major projects portfolio?

**Nick Smallwood:** We are available to give ad hoc advice and support when required on more difficult or complex projects, as requested, but typically we are very limited in our capability in terms of the sheer scale of the IPA versus the GMPP. What we have done and trialled in the past 12 months is a portfolio review, where we have gone into DWP and looked more broadly not at individual projects off the GMPP, but at their system delivery performance, and we were able to advise that Department on areas and gaps to improve. That was quite successful and it is something we would like to roll out to other Departments: maybe on a two to three-year periodic basis, we would go and visit those Departments and see whether they are picking up the learnings and driving their improvement plans forward as we would expect them to.

Q65 **Dame Cheryl Gillan:** Obviously, your purpose, as you state in your annual report, is “to drive continuous improvement in the way government delivers infrastructure and major projects”, and you “aspire for nothing less than world class delivery.” The term “world class” has been used rather a lot this year, I think. How do you measure your own success in supporting Government? To set it in context, in 2019, of all the projects that you refer to in your annual report, four were in the red, but in 2020 that has moved to 11 of them being in the red. Does that look like success to you?

**Nick Smallwood:** Let me answer the last bit first, and then I will go to the first question. You can never assure goodness into a project that was badly developed, so what is coming down the funnel is the legacy of what was done in prior times. We can look forward now, and we are working to have a more systemic view of what impact the IPA is having. I want to have metrics in place to help us to understand whether we are making a material difference on those projects coming up through the stage gates, and whether we are having an impact in fixing gaps in those projects that are in flight.

You will see that we have two programmes running: one is to look at the metrics, and the other one is a “get to green” programme, where I have asked my team to be clear, if we are advising projects at stage gates, about the fundamental elements that they need to have done and have in place in order for the team to give them a green assessment at a stage gate. Interestingly, when you ask that question, we do not have current guidance—it is a bit of a hollow box—so we have work to do to be clear on everything from IT to MOD to infrastructure and transformation projects. What does green look like at OBC? Then we can start to challenge teams on whether we are getting a turnaround.

It will be a slow, cumbersome process, I am afraid, for those that are already on the GMPP, but we need to be really impactful on everything that starts to join the GMPP now and make sure we set it up for success going forward. That is our focus. We will know whether the system is in



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control if we start to see increasing numbers of assessed and accredited project managers and a correlation between that and better outcomes as we go forward on our projects. It is not an easy question to answer with a simple silver bullet—there is no silver bullet. There will be a number of elements to improve the overall system delivery.

**Q66 Dame Cheryl Gillan:** There is nothing like coming as a clean skin to a project, is there, Mr Smallwood? You can always say, “We can move forward from here,” and not look backwards at what is happening. Can you tell me how you think this Committee should measure your success and hold you to account? You are obviously not going to publish all your reports.

I am looking at some of the Government projects that have gone to red: GOV.UK Verify, the local full-fibre networks, Crossrail, East West Rail, HS2—there is a pattern there in the Department for Transport—the IT infrastructure sourcing programme, the Crowsnest programme and the future maritime support programme.

How will we be able to tell that you have made a difference to all these projects that have gone to red? At the moment, I can make that judgment on your success only by looking at where projects are, and it appears to me that there are now more projects that are categorised as unfeasible than there were before, in 2019.

**Nick Smallwood:** I repeat the point: I do not think delivery confidence assessment in the short term is the right lens to have. If I go to a more rigorous assurance programme and process, I am going to call out projects that need to be fixed. By definition, you will see that we are having an increasing number of red and red/amber, because we are trying to have an honest, impartial view of what they are, where they are and what they need to fix.

If you want to hold the IPA to account, you need to look at the more systemic lens of, “is the overall system getting to be healthier?” We need to develop a number of metrics that measure that. They are not in place yet—an observation that I have made in the IPA is that we need to do work in the next 12 months to put that in place. Over time, you should then be able to see trends that show we are improving.

**Q67 Dame Cheryl Gillan:** So you can set out for me where you think we should be looking in 12 months’ time to see whether you have made a difference to this organisation, which does not appear to be very successful at the moment, as many of its projects are slipping into red? Can you tell us already—I know you have been there only a short time—where you have improved the performance of Government, how and on what projects?

**Nick Smallwood:** As I mentioned, we have started to behave “as if” on a number of projects. For the emergency services mobile communications project, we have insisted on a change of SRO, which has had a material impact. We have put the red light up to the HS2 programme, which has resulted in far more scrutiny of the subsequent phases, 2a and 2b.



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Q68 **Dame Cheryl Gillan:** Sorry, did those all come from you as recommendations or were they, rather, from other areas? I think they came from other people as well.

**Nick Smallwood:** We have input on our assurance reviews on all those programmes.

Q69 **Dame Cheryl Gillan:** Okay, so you are not claiming entire responsibility for all those changes.

**Nick Smallwood:** It is all part of an integrated system of delivery across Government, but, yes, you will see that our assurance reviews will refer to many of the improvements that were required on those projects and programmes. I could go on with a very long list—we have reviewed quite a number of projects in the last year, not least the EU transition projects and some of the covid pandemic response projects.

Q70 **Dame Cheryl Gillan:** Lastly on this, do you perceive there being any really critical areas of weakness in Government when delivering these projects? For example, from my experience, cross-departmental working is always an area of weakness. Have you observed that already, and do you have any solutions to try to fix it?

**Nick Smallwood:** If I am honest, I think it needs to become a new lens of focus. Where the benefits are in more than one Department—typically, if you are building linear infrastructure rail projects and looking to generate growth, you obviously need to look at Departments such as MHCLG and BEIS. We are building those checks and balances into our assurance gateway reviews, and we would expect the respective lead Department to show us the evidence that they have gone far and wide and included input from others.

You are right to observe that the Government has not been as strong as it could have been. Of necessity, there are a number of cross-cutting themes now coming on the table, such as levelling up and net zero, that will require us to do this in a much smarter way across the whole of Government.

Q71 **Dame Cheryl Gillan:** This is probably invidious, and you will refuse to do it, but have you identified already any Departments that are particularly weak in this and that we should be paying attention to as a Committee?

**Nick Smallwood:** The challenge very much sits with those implementing large infrastructure and the major programmes there. We have mentioned DfT, but BEIS will increasingly be challenged on their energy programmes and projects, their input to net zero and how we level up, which inevitably will hit MHCLG. There are a number of Departments—I do not think I would single out one. Quite a number will be impacted on, going forward.

**Dame Cheryl Gillan:** Thank you very much.

Q72 **Nick Smith:** The Prime Minister launched Project Speed a few months ago with his usual pizzazz. You have told us this afternoon about your project management academy, the cost estimates community, which you hope to



develop, and your SROs doing their pivotal roles for longer. That all sounds fantastic. Is Project Speed just work that is already in hand—a reboot of stuff that you have had in train—or is it something new? If it is something new, what is it?

**Nick Smallwood:** I think it is something new. It is a lens that has been brought to bear on some of the major projects and programmes. It is an observation that they take a very long time. They take a long time in planning, development and execution. It has brought a lens to some of the project management elements that I have talked to, about getting front-end loading scope correctly, because we are still spending a lot of money on the front end, but perhaps not spending it on the right things.

Project Speed has observed that we can improve the environmental lens and the planning approvals lens. We can improve on making choices about scope and concept earlier, and then locking and loading on executing it in a different way through the construction sector. We have said that we need to reset that construction sector. We have developed the construction playbook as a lens to help us do that.

It is about how the Government behave and get things approved. Then it is about how the interaction with the supply chain works and whether we can engage with them to do smarter things. We are here at a monumental time in terms of the ambition of the national infrastructure strategy. It affords us the opportunity to accelerate the deployment of modern methods of construction in the built environment, for example. Building hospitals, schools and prisons—anything in the way of infrastructure—has an opportunity for design and replication. We have been pushing that strongly in the IPA.

Project Speed has brought a lens and focus to timelines and durations, where, as Matthew said, if it takes too long, it costs money. That is not an excuse for going too fast. The best-developed projects will typically be quicker than industry average. That is good news. It is complimentary to the lens and focus we have.

I think we can take a lot of waste out of public projects that has lingered in the past. For example, some projects, even with existing legislation, can get approvals in half the time of other Departments. In fact, some Departments build in a two-year duration to get approvals. Having that entire lens of how long we are taking in key parts of the project delivery cycle is a healthy way of bringing attention and focus to what “good” looks like.

**Q73 Nick Smith:** That is a lot to take in. I have seen a new modular hospital. We have a lovely new hospital in south-east Wales, serving the eastern valleys. We heard many of the points that you made earlier on in the day. What do you mean by changes to the planning approval lens? Give us some examples of where you think that will make a big difference in saving money and time.

**Nick Smallwood:** I am not involved directly. That is being led by MHCLG, looking at what changes they can make to planning regulations, to make

them simpler, while still having the requisite checks and balances in place. They believe that there are some areas they can bring to bear. Similarly, as we exit the European Union, we can look at the environmental regulations relating to approvals and adapt them to be consistent with local focus. On the details, I would have to consult with DEFRA and MHCLG, but they are working on a proactive programme, which will report into the Project Speed oversight group.

- Q74 **Nick Smith:** Okay. Do you know what? I am just a bit unsure about that. Mr Vickerstaff, do you have anything to add to this question of Project Speed and what will really make a difference here? Getting other people to give their approval earlier feels like a difficult hook to get off.

**Matthew Vickerstaff:** As you have heard from Nick, this is multifaceted. It is more of what we have been talking about. You have given the example of the health sector. Repeatable room designs, better working through of clinical pathways, bringing in net zero and digital information pathways to address the 40 hospitals that will be built under the hospital improvement programme, and using modular and offsite construction, are all ways of delivering projects more efficiently, quicker, smarter and greener. It goes to every part of the system.

- Q75 **Nick Smith:** What I asked for was something new. There is a smashing modular-built hospital in south-east Wales, which I just mentioned. Do you think that you have the resources to be able to deliver on this very wide-ranging portfolio and different ways of doing things?

**Nick Smallwood:** Perhaps I can answer that one. IPA does not do the projects; the trick is for IPA to show up at gate reviews and make sure that the right elements are in place, and to advise projects on expectation early enough in their development. If you look at the 40-hospitals programme, we are being quite disciplined in educating that we actually do not want 40 different designs, all built modular. We would like a limited number of designs built modular, where they can design one and build many. It is similar in the Prison Service.

I think that the best example of adopting this way of thinking is in the Department for Education. They do have a number of models for different types of schools, and they are seeing a substantial reduction in costs. They see even more opportunity to exploit that further through the deeper implementation of modern methods. Alongside modern methods comes a real and deep leveraging of digital technologies, whether that be drones for monitoring, or 5D CAD to drive workplace planning. There is a huge plethora of proven technology that we need to have a lens on and use far more in public projects.

**Matthew Vickerstaff:** Carbon capture and storage, hydrogen and jet fuel—sustainable aviation fuel more generally, in terms of waste—are totally new areas that require totally new solutions, but solutions that are built on previous practices, etc. That is not just technology risk, but business models and investment propositions.

- Q76 **Nick Smith:** I sort of accept that if you are going to build lots of



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something that has been agreed by everybody, it is a good thing and you can save time and money. We saw that with the aircraft carrier: Prince of Wales was better value and produced more quickly than Queen Elizabeth.

Major projects are, of course, many and varied, and in some instances, particularly with HS2, some of the technology hasn't been invented yet. I can see your argument that, in some cases, modular preparation, and finding best practice and rolling it out, would work for the building of schools and hospitals—you might ask yourself, "Why haven't we been doing that already?"—but I am looking for more confidence that, across the many and varied projects, the sort of hyperbole that has been used will actually be seen through.

**Nick Smallwood:** I can certainly respond on things like linear infrastructure, where the maturation of the design software is going at quite a pace. We see Highways England being an exemplar on smart motorway design. I think that there is opportunity in the rail sector to introduce that kind of technology and move forward, certainly by making greenfield track laying automated. That is much more difficult when you are going through Victorian tunnels because of all the perturbation of not being able to get the machinery through, but there is certainly an opportunity with greenfield to leverage technology in a way that we are not doing as much as we should today.

**Matthew Vickerstaff:** I would add to that that offshore wind is being improved—perfected—from a technology and delivery perspective, as is solar, in terms of the panels, the inverters, how projects are procured, and how to get better longevity out of the underlying assets. An improvement in technology is really coming through.

Q77 **Nick Smith:** We will hold you to that and watch with interest—we hope you are right.

The Committee was recently told that the Government should be prepared to pay a premium for the skills needed to run major programmes. To what extent do you think that that will be value for money? Are we going to have to pay a lot of money for the project managers of the future to do a good job on behalf of all of us?

**Nick Smallwood:** I go back to my earlier comment: the SROs and senior programme leads are pivotal roles. They are fundamental to project success. I have seen in my own career that you can have a direct correlation between strong confidence there and better outcomes. I think it is quite clear within Government today that we need a better value proposition for SROs, to keep them on seat longer and reward them as best we can within the framework of the civil service. That is why I mentioned bringing pivotal role allowances and competency based pay to the fore—to see if we can get at least a far more competitive salary to attract and retain the right individuals in the right projects, because they are fundamental to our success, and, therefore, value for money.

Q78 **Nick Smith:** Do you have a top-of-the-head salary increase that you



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think we will have to pay these project managers? If they get paid  $x$  at the moment, how much— $x$  plus what—do you think you'll have to pay them?

**Nick Smallwood:** We are going to have to do a detailed piece of benchmarking in the new year to get that figure right before we announce it.

Q79 **Nick Smith:** I have one more question before I finish. There was a very good article by Matthew Paris in *The Times* on Saturday. We talked at the start of this session about rabbits being pulled out of a hat. The Government's manifesto last year promised a UK satellite navigation system, and the Government took out a major interest in the US satellite company OneWeb. It is a UK replacement for GPS, and the Government spent, I think, \$500 million—half a billion dollars—on that project. May I ask you to do some homework, sir? Could you please look into this project, put it through one of your gateway challenges and let us know if it was a good investment or not? Can I leave that with you, please?

**Nick Smallwood:** We will take a look. It is not one I am familiar with.

**Nick Smith:** Take a peek. And have a look at the article—it is very funny and you will enjoy it, I'm sure.

**Chair:** There you go: you get literary tips here, as well as a grilling.

Q80 **Sir Geoffrey Clifton-Brown:** Mr Smallwood, we have really appreciated your evidence this morning—

**Chair:** This afternoon.

**Sir Geoffrey Clifton-Brown:** This afternoon—it has been a long day. Following on from my colleague Nick Smith's questioning on Project Speed, and returning to the national infrastructure strategy document, it mentions four key strands. We have spent a lot of time this afternoon talking about three of them: reforming the infrastructure planning, more effective decision making, and a step change in capability and leadership. The one we have not discussed so much is simplifying procurement regulations and modernising the construction sector—this goes back to the ambitious projects I mentioned at the beginning and the £600 billion—“designing more streamlined procurement regulations after EU exit, enabling government to use its weight as a customer to support the construction industry in adopting modern, highly productive practices”. How will this work in this huge pipeline of infrastructure work?

**Nick Smallwood:** I would suggest it can only help to be free from some of the constraints of the '02 regulations in Europe. My colleague in GCF—in the commercial function—has someone dedicated to developing those procurement reform proposals, so I have not seen the detail.

Where we in the IPA have been involved is in the construction playbook, where we recognise that indeed we do need some fundamental reform in the construction sector with our contractors. Through the pandemic, we got very close with the Construction Leadership Council and we had a lot of collaboration to help us manage and adapt covid-safe work sites and so



on. What became apparent was a real desire from that community to not go back to that old world, but to look to collaborate with Government and to reset the industry, recognising that tier 1 contractors were making very tight margins, going out of business and not investing in skills or technology. The construction playbook is used to try to frame the construction arrangements that we want with industry from here on in. It is designed to have longer-term arrangements, where we can hold them to account, to learn, improve and invest in those skills and technologies, and to actually get serious about modern methods of construction, which in some parts of industry will require them to invest in factories and methods of working. It is to make sure that we have a win-win. We have had a very adversarial history in the last few years. We want to get to a point where we are very focused on outcomes: what do we, as Government, want as a client? We want to reward those contractors who deliver better outcomes. Of course, we want them to be more financially secure, so it is about having healthier margins—but for those healthier margins, we want lower costs and better outcomes. That means that we want projects delivered cheaper, better, faster, greener.

We think there is a win-win. The playbook is framing that whole environment in which we want to work. We have had engagement with many of the contract workforce and contractor organisations. The playbook is due to be published on 8 December, and there has been a lot of support from the project community across all the Departments, the IPA, Government Commercial, who have been the architects of it, and our partners in industry. It sets, really, a line in the sand to throw away what has been the behaviour for the last 40 or 50 years, to look forward to a changing marketplace and a changing sector.

**Q81 Sir Geoffrey Clifton-Brown:** That is very exciting. There is a lot in your answer there; we will look at the transcript very carefully, to see where these issues will take us.

A final question from me. You are the new broom who is obviously going to sweep very clean indeed. I gather that you are now beginning preparations for the second national infrastructure assessment, but it is not due for publication until 2023. Given the size of investment in infrastructure over the next year or two, would it be possible to accelerate that review?

**Nick Smallwood:** My personal view is that I do not think that would help. We are going to be really pushed to do the performance that we have talked about this afternoon. There is enough in the original national infrastructure strategy to set the pace and general direction, and there will be course corrections once we understand the full impacts of the pandemic.

But many of the proposals in the NIS are long-term—well beyond 2023. A lot of the linear infrastructure and the net-zero focus is all long term; it is way beyond this Parliament. There will be a course correction on the basis of the pandemic, I would expect, in the next assessment, and really learning from what technology revolutions we have seen and heard about



by then. Accelerating might do more confusion and harm than actually giving us space to get going and then look at where we need to course-correct.

**Sir Geoffrey Clifton-Brown:** Thank you very much for your very helpful answers.

**Q82 Chair:** Mr Smallwood, we have been closely watching the Green Book review; for those who do not know what the Green Book is, I should say that it is the guide for the Government about how to make sure that taxpayers' money is properly spent. It provides guidance on how that should take place. Of course, the main thing from your point of view, I imagine, that is of interest to us is the change to the benefit-cost ratio—saying that it does not need to be as dominant as it was. Presumably you had an input into that. What is your feeling about the risks involved of changing the BCR?

**Nick Smallwood:** I actually think it is an essential lens that we have to have on more general benefits, and we have been remiss in not having that focus in the past. We fixated on BCR, which will lead you to invest in the south of England, specifically linked to London. If you believe in levelling up across the country and in the public value framework, you need a lens that goes beyond BCR. It is not an exact science, of course—it is complex. We will have to learn to work in that space more and more.

I think it was an essential amendment. The diehards at the Treasury will tell you that it was always possible in the old world—you just needed to read the small print. The clarifications in the upgrade have made it crystal clear and hopefully have been of help.

There is going to be a publication of the public value framework in December, I think, which will give real clarity and metrics to the Departments—where they need to focus—and allow the likes of the IPA, when we do the assurance gate reviews, to look at those metrics and test whether Departments are on track against their strategies and targets.

**Q83 Chair:** A couple of things. It is interesting that you mention public value, which has obviously been very much an academic discussion. Are you saying clearly that that is absolutely influencing the work of the IPA—that the theory of public value is now becoming more of a practice?

**Nick Smallwood:** It absolutely will be, going forward; we are building those lenses into our workbooks as we do the refreshed assurance gate reviews.

**Q84 Chair:** Okay. That raises some very interesting points. We have looked, for instance, at the Stonehenge tunnel. The BCR on that was questionable, but it is difficult to judge the value of a world heritage site, whatever decision you make about whether you have the tunnel or not. Obviously, that has now been agreed. How do you make sure that those safeguards are in place, so that it is not just about saying, "Well, I quite like this idea. It would be nice for my town, city or constituency to have this thing", but that somewhere in there, there is some value for the



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taxpayer, understood and properly recorded? How will you make sure with the Green Book rules that you can get real measurements into the major projects that you are looking at?

**Nick Smallwood:** As I said, my understanding is that each Department will be given clear metrics and clear direction on the strategy to meet, and therefore we will be able to check against that and give guidance and advice to the decision makers. At the end of the day, the IPA does not make the decisions on which projects or why, but I think that is a lens that has been, sadly, missing in the past, and I think we have an obligation to really step up and improve in that space.

Q85 **Chair:** You say that each Department will have its strategy. That sounds to me as though a policy commitment leads to a strategy to deliver that policy commitment. We are, obviously, interested in the value for taxpayers. You seem quite positive about this, but are you worried at all that it could lead to very perverse decisions that are difficult to explain to the taxpayer generally about why money was spent on something that delivers a perceived value, but a value that is hard to pin down in numbers? We like numbers and figures on this Committee, and I guess you do too. How do you square that circle?

**Nick Smallwood:** I guess I am being optimistic on the basis of what I have heard about having clear metrics and outcomes stated. If that exists, we can check. If it is vague, I would be concerned, as you appear to be. I think the proof is in the pudding. Let us see what the public value framework actually says, and then we can work against it. At the moment, I am optimistic that it will bring us some tools and levers that we have not previously had.

Q86 **Chair:** Are you going to be involved in inputting into the public value framework that is being drawn up?

**Nick Smallwood:** My team has already done that, yes.

**Chair:** Fantastic. On this Committee, we see both sides of the challenge. We are constituency MPs and we see the need for things on our patches, but on this Committee we also see the firm hand of probity and clarity in decision making as very important for protecting the taxpayer. Like you, we have seen many problems, so we get cynical about this at times.

I thank you both very warmly for your evidence. We have had an enjoyable afternoon, and we really wish you the best. The way you have described it, Mr Smallwood, is that the gateways are going to be much firmer and stronger, and from what you have said—if I am not overly paraphrasing—you think that is a strong enough tool to make sure that some of these projects do better. You have also highlighted the real challenge that often the public sector is delivering major projects that no other body would be delivering, and we recognise that in our work, too. Thank you very much for your time. The transcript will be up on the website uncorrected in the next couple of days, and our report will be published probably in January.