

Public Accounts Committee

Oral evidence: Resetting programmes, HC 1233

Monday 5 June 2023

Ordered by the House of Commons to be published on 5 June 2023.

[Watch the meeting](#)

Members present: Dame Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Ashley Dalton; Mr Jonathan Djanogly; Mrs Flick Drummond; Mr Mark Francois; Anne Marie Morris; Nick Smith.

Emma Wilson, Director, National Audit Office, Rebecca Sherman, National Audit Office, Adrian Jenner, Director of Parliamentary Relations, National Audit Office, and David Fairbrother, Treasury Officer of Accounts, were in attendance.

Questions 1 - 169

Witnesses

I: Matthew Lodge, Government SRO for Crossrail, DfT; Neil Couling, SRO for Universal Credit, DWP; Dr David Marsh, SRO for Ajax, MoD; Jim Barton, SRO for Electronic Monitoring Programme, MoJ.

II: Nick Smallwood, Chief Executive, IPA; Conrad Smewing, Director General, Public Spending, HMT.

Report by the Comptroller and Auditor General
Lessons learned: Resetting major programmes (HC 1198)

Examination of Witnesses

Witnesses: Matthew Lodge, Neil Couling, Dr David Marsh and Jim Barton.

Q1 **Chair:** Welcome to the Public Accounts Committee on Monday 5 June 2023. Today, we are looking at the tricky issue of resetting Government programmes. That may not sound terribly interesting to every bystander, but, on this Committee, of which I have been a member for nearly 12 years, we have seen many programmes over time start and then be reset for various reasons. As a consequence, there can be a real challenge about setting out value for money for the taxpayer. There is also value in the NAO's work, which, on this occasion, is a lessons learned document on resetting major programmes to see if there can be a tighter common framework for thinking about a programme's needs and supporting decision-makers in making a realistic understanding of the challenges faced when changing a programme.

We have a really top panel of witnesses here in front of us in the first of two sessions this afternoon, all of whom are dealing or have dealt with major programmes in their area. I will introduce them and then they will explain a bit about their role in particular.

We have Matthew Lodge, who is the Government senior responsible owner for Crossrail, also known as the Elizabeth line, which is now responsible for one in six rail journeys in the UK. This Committee had the privilege of visiting it while it was under construction and going through that reset.

We have Neil Couling, who is the expert in the world on universal credit, because he has been the senior responsible owner from its inception until today. Welcome back to you, Mr Couling.

David Marsh is the senior responsible owner for Ajax. That is also a troubled programme, which is still undergoing change and which this Committee has looked at, along with our sister committee the Defence Select Committee.

Jim Barton was the SRO for the electronic monitoring programme at the Ministry of Justice, which has now completed, but we will get you to explain exactly what your role was in that. A really warm welcome to you.

We are really after candour from you here about what works, what does not, what lessons you have learned, and what messages you would like to send to your successors across Whitehall as they are dealing with these programmes. There is nothing to hide here about problems. We know about the problems in some of the programmes that we are talking about today, so let us not try to pretend that everything was always fine.

It often is not in such complex situations.

Before I go any further, I am just going to go across the table, if I may, and ask each of you to explain exactly your SRO role when you took it on and what you are doing at the moment.

Matthew Lodge: I am Matthew Lodge. I am the Government SRO for Crossrail. I say "Government SRO", because Crossrail was always a jointly sponsored project. In the autumn of 2020, the project SRO-ship moved across to TfL as part of our transition of governance arrangements and as part of the reset. I am still the Government SRO and we are currently in the process of closing down all the elements of Crossrail that need to be closed down. We are hoping, within the Department, to conclude all that work by the autumn of this year.

Chair: For today, let us call it the Elizabeth line, because people understand that, now that it is up and running. It is funny how things change in a few months.

Neil Couling: I am currently the SRO for universal credit and have been for eight years, as the Chair kindly pointed out. You may not know, but I was the lead Department representative on the reset when UC was reset in 2013, which was slightly before my time, so I have managed out of resets. I am now also responsible for the whole of the DWP's change portfolio, and I have put programmes into reset as well.

Chair: So you have more experience than just universal credit.

Neil Couling: Not just universal credit.

Jim Barton: Good afternoon. I am Jim Barton. I am the lead director in the Prison and Probation Service for all of our change portfolio. I was the SRO for electronic monitoring between March 2020 and its closure in March 2022. During that period, we completed a reset. I still have oversight of the electronic monitoring live service and a successor programme that is reprocurring those contracts and expanding the use of electronic monitoring.

Dr Marsh: I am David Marsh. I am the senior responsible owner for the armoured cavalry vehicles programme known as Ajax.

Q2 **Chair:** You all have vast experience of programmes. When the resets that you have overseen have taken place, can you just talk through what process went on in the Department to decide that it was a reset that was necessary and what the trigger for that was?

Matthew Lodge: If we look back at the history of the Elizabeth line, it was in 2018 when we realised that the project was off course. That was the point where we started the process of resetting the project within the Department, resetting the governance of the project and working with our colleagues at Transport for London to reset the leadership of the organisation of Crossrail Ltd. For those who are not aware, there was a special company called Crossrail Ltd, which was set up jointly by the Department for Transport and TfL to run and deliver the Crossrail

outputs. It was in 2018, when we knew that the project was going off track, that we started that process of resetting it.

At the same time, within Crossrail Ltd, the new leadership team was resetting the project with new delivery milestones and new processes that it needed to do to get the project over the line and open. One reflection that I would make is that that new team at the time was working at the same time on trying to deliver the project, which was one of the challenges that it had in terms of resetting the project.

Chair: We will come back to some of that in a moment.

Neil Couling: The troubles with universal credit are pretty widely known and were the subject of many inquiries of this Committee and the National Audit Office. The thing that I would point out to the Committee with hindsight is that it was probably the first time that the Government had tried to reset a programme, and I do not think that you would do it in the way in which we did it then. For example, you have Nick Smallwood speaking after this session, who is the head of the IPA. The head of the then IPA, David Pitchford, came in and headed up the reset. That would be a really difficult thing to do now.

Q3 **Chair:** It was the NPA then, was it not?

Neil Couling: Yes. It was obvious to the Department that we had particular problems with the programme. It was also obvious to the rest of Government. In inventing a reset for Government, we stumbled on a rather useful tool in project management, and we might explore a bit of that going forward. I will not say any more now, Chair.

Chair: We will come back to that.

Jim Barton: Our reset related to whether we should proceed with the development of a case management system called Gemini late in 2020. Our confidence that our provider could deliver that system to plan in August 2021 became frayed. Following an IPA review in March 2021, we took the decision to suspend development of the system, which, essentially, gave us three months' breathing space within the Department and with our supplier to work through whether it was right to carry on with the work or to stop. We decided at the end of that period of suspension that the right thing was to terminate that aspect of our contract with EMS.

Chair: We might want to get into some of the contractual issues in this as well.

Dr Marsh: The Ajax programme has been subject to a number of reports over the years. The NAO has used the major reset, which was undertaken in 2018-19, on the programme for drawing on in its report here. I have been leading, since my appointment in October 2021, a further reset of the programme, which we are now concluding. It is an example of a programme that has had two resets, probably for slightly different reasons. The first was a major commercial renegotiation, and the reset

that I have been leading has been about resolving technical problems and resetting a realistic schedule.

Q4 **Chair:** That is very helpful. I just wanted to go back to Mr Couling. You said that you stumbled on a useful tool. Do you want to just go into that in a bit more detail?

Neil Couling: The project was in real trouble. There is no great secret there. I do not know if you have ever played Monopoly, Chair, but I have described to some colleagues before that a reset can be a bit like free parking in Monopoly, where you can just draw breath, let the game proceed a bit, try to gather some rents and fines from your fellow players, and summon up the courage to try to get around the next bit of the board. In effect, resets can be that and should be seen in a more positive way.

The actual resetting inside the Department was quite a traumatic event, certainly for the programme staff. Because there was no guide or map, nobody quite knew where we were going with it. I was the lead departmental representative and knew what I thought needed to happen and change for the project to be successful, but a lot of people in the Department just did not know what was going on, because it was very confidential and so forth.

There was some openness and some acceptance that this process can be helpful and help projects to ultimately succeed, which the UC reset did. I pay tribute to David Pitchford and the team who led that. It was a much more positive experience. I have probably reset universal credit a number of times, but I have never used the R word inside the Department, because, given that we were the first people in, it was very hard for the staff concerned in particular.

Q5 **Chair:** Is that because they saw it as a failure?

Neil Couling: It was seen as a failure. The commitment inside the Department to making a success of universal credit was not the problem, and people were very committed to what they were doing. These projects are big things. In their part of the world, what was wrong with their bit? That was one issue.

The report very sensibly talks about communications and the need to support the staff who are doing this. Certainly, in subsequent resets that we have had inside the Department, we have made sure that those sorts of supports are there for people.

Q6 **Mr Djanogly:** Good afternoon. I was just listening to a few of the comments. Mr Lodge said, "When we knew the project was going off track"; Mr Barton said, "When our confidence became frayed"; and Mr Couling spoke of having no guide or map. The immediate thing that I am thinking is whether that means that there is no structure above you—the Cabinet Office or whatever—where an alarm goes off at a certain point. You could have all been looking at going off track or things becoming frayed at different points. Is there some level at which the public knows that, when something happens, it is time for a reset?

Neil Couling: It was known within Government that we had difficulties with universal credit. People would argue about the extent of those difficulties. There had never been a reset before, so people were looking at, "Well, what do you do now and what might a path from here look like?" That is what the reset really allowed.

Q7 **Mr Djanogly:** The point that I am making is whether it would be fair from a taxpayers' point of view that you should have known.

Neil Couling: People did know that the project was in trouble.

Q8 **Mr Djanogly:** But at what point should you have known that it was in trouble? The point that I am making is that you said that there was no guide or map.

Neil Couling: I said that there was no guide or map to having a reset, but there certainly was a programme plan, and you could see against that programme plan whether you were going astray.

Q9 **Mr Djanogly:** I understand that, but the question, again, is whether there should have been some framework from above that would have helped you in your Department in identifying the point at which a reset was necessary.

Neil Couling: The short answer to that is yes, but nobody had done a reset at that point. That is the point that I am trying to get across.

Chair: There were some recommendations in the NAO's piece of work.

Matthew Lodge: On the Elizabeth line, the sponsors—the Department and TfL—were asking questions of the company, Crossrail Ltd, and of the board, chief executive and chair of Crossrail at the time, around whether the very high-profile date of December 2018 for the opening was deliverable. We knew that the project was being compressed. We knew that there were delays within elements of the project. We kept asking those questions of the board.

It became apparent to the board and to Crossrail Ltd in the summer of 2018 that that was not going to be delivered, hence the reset that then changed the governance and the relationship that the Department and TfL had with Crossrail Ltd, and then, within Crossrail Ltd, resetting its programme to make it more deliverable.

Q10 **Mr Djanogly:** Looking back at it now, you would say that the systems that you had in place initiated the reset at the right moment.

Matthew Lodge: In hindsight, as sponsors, we probably could have done something earlier, if the way in which Crossrail as an organisation was set up had been differently structured. It is worth noting that Crossrail Ltd, as a delivery entity, was set up in 2008 very arm's length from Government, from TfL and from the Department, for the right reasons, but that distance meant that the sponsors did not quite have as much visibility, and the communication between the sponsor organisations and the board was quite limited.

When we reset the project in 2018, we did quite a lot of work on bringing sponsors, as in DfT and TfL, much closer to the Crossrail board in order to have more dialogue and more free-flowing information between our relevant organisations.

We have discussed that structure of separation from the sponsors at previous PAC hearings. If you look back at that now, one reflection might be on whether that governance structure was right. In the Department at the moment, we are looking at whether there are any lessons for the way that we govern projects like this and how we set them up going forward, which we are hoping to be publishing this summer.

Q11 Mr Djanogly: Mr Barton, you spoke about your confidence becoming frayed. Can you just explain what you mean by that? Was it forced on you from above or from what you were seeing from beneath? Again, were the systems adequate in retrospect?

Jim Barton: We were reporting red from a delivery confidence assessment perspective from the end of 2020 and into early 2021. Before we got into that Infrastructure and Projects Authority review in March, that position was visible to all of the centre of Government. Through our contact with IPA, we have representatives from Cabinet Office and Treasury who sit on our programme board, so it was not a secret. It was not held within the Department.

The debate during that period was the typical loop that you go through when you are in this moment, which is, "Are there other ways to resolve this? Would more resource work? Would a reset of the plan give more time for delivery work?"

In our circumstance, having the IPA come in and confirm that red delivery confidence status in March was helpful, because it validated our own assessments and made it easier to open the door to a conversation about a more fundamental reset.

One of my reflections, having done that reset, although nowhere near as many as other colleagues on this board—due to less experience, just to qualify that—

Neil Couling: No, I took the attack.

Jim Barton: —is that it is hard to turn the machinery around and get it into a position to accept stopping something that people have invested money and a huge amount of emotional energy and political capital in. We took nine months from the point we started that conversation to confirming the decision to reset electronic monitoring. That compared with far shorter periods of time when the programme had previously considered whether it was right to reset.

Q12 Mrs Drummond: Can I ask about the role of non-executive directors on these boards? They are there to challenge and perhaps bring up the fact that you might have to reset it sooner rather than later, because they are not so involved in it. Are they effective on your boards?

Neil Couling: Sadly, he died last year, but Sir Robert Walmsley was an absolutely fantastic non-executive chair. That came out of the reset process that we concluded. The IPA guidance is that SROs should chair programme boards, but I found it immensely helpful to have Sir Robert chairing our programme board.

Q13 **Chair:** For nuts and bolts, why was that?

Neil Couling: There are two reasons. First, he had immense experience and was just phenomenal. He had been Second Sea Lord and had run projects across Government. He was amazing. Secondly, as a chair, you are trying to bring consensus to a board, while as an SRO you sometimes need to be quite provocative. You need to be the grit in the oyster. You need to be the one saying, "Are you really sure that we can deliver to that plan? Are you absolutely certain that your partners are going to provide the kind of support that you are looking to?" When you are chairing, it is often hard to be that grit in the oyster as well. It is that dual role to us that Sir Robert played very well, and we have continued that now with John McGlynn, who is our new non-exec chair.

Q14 **Chair:** It was particularly pertinent in Crossrail, Mr Lodge, because you had non-execs on the original Crossrail Ltd.

Matthew Lodge: We had a board structure set up, with NEDs appointed by TfL and the Department, which sat in Crossrail Ltd. One reflection that I have on Crossrail, which we have talked about before in PAC, is that that board and the people on it needed to change as the project moved on. You almost need to force change in those governance structures and in the people on the board. From a construction project to an operational railway, Crossrail is a very long journey with very different skills at the start than at the end. One reflection that I always have on my Crossrail experience is that there needs to be that forced change, with that churn of people with the right skills for a project that goes on for that long.

Chair: Which, indeed, we saw for the Olympics as well.

Q15 **Mrs Drummond:** Could I hear about NEDs on the other boards as well, just to get a good idea?

Dr Marsh: For the Ajax programme, I have reset our board in order to expand the number of voices around the table. Previously, the board was quite a small circle, and so trying to get more diversity and more non-advocate challenge into the board is something that I have done as the SRO.

Most boards have a degree of that, but it is not very consistent in an organisational sense across the multitude of MoD programmes, in my experience. We also rely quite heavily on the non-advocate independent reviews—IPA reviews and, prior to that, Major Projects Authority reviews. Those kinds of reviews have been happening formally for 20 years or so now.

One of the difficulties from thinking about a major reset of the programme is that those reviews often come up with improvement

recommendations and actions. The challenge is whether to go with that as an incremental improvement on the programme or whether that is enough to call it and to do a more fundamental reset of what is going on.

Jim Barton: We have strengthened the non-exec voice on electronic monitoring. We started that process when we were moving towards conversations about whether a reset was necessary. We have a non-exec challenge panel that sits outside formal governance and provides a space where there can be incredibly robust challenge of me and other seniors within the programme. We have some very experienced critical friends who now sit on the programme board infrastructure.

Q16 **Mrs Drummond:** Mr Couling, you talked about communication among all staff. Do they feel comfortable in challenging upwards as well? Do you have an open system where people can challenge without fear of any repercussions on them? If you want to take the whole organisation with you, communication is so important, which Mr Couling talked about. How have other organisations talked to their staff to keep them on board?

Dr Marsh: In the MoD, we have an additional cultural challenge of being an integrated military and civilian organisation. The cultures are slightly different in terms of challenge to seniority. We have worked really hard in the programme space to recognise the need to make sure that that is open and without fear or favour.

We commissioned a report recently, which the NAO refers to in its report here, on psychological safety in major programmes and the need for leadership to be watching and ensuring that dissenting voices can be heard. It is a challenge in all programmes, I would argue, to make sure that there is that right balance of ability for people to challenge without feeling that they are putting themselves at some sort of personal risk.

Jim Barton: I would agree with the comments that colleagues have made. A further reflection on electronic monitoring would be that we absolutely did have that culture of openness in place. That is core to the way that we operate in the Ministry of Justice. I do think, though, that we have the balance wrong in terms of the proportion of contracted staff and civil servants. We were very high on the proportion of contractors, many of whom had been with us for a long time, and I am not sure that that necessarily always set up the right incentives for individuals.

Matthew Lodge: One of the problems that Crossrail had is that it started to believe its own on-time, on-budget mantra, which was used an awful lot and stopped a lot of people putting their hand up and going, "This does not feel quite right". We had a named date for opening, which is one lesson—we would never do that again; we now do lots of ranges of dates for opening—as that made it very difficult for anybody to shout that it did not look deliverable. We, as sponsors, were asking questions about the compression of the programme that we were seeing.

The new team then came in, and Mark Wild and Tony Meggs worked very hard to rebuild that organisation based on openness and transparency. As I said earlier, we, as sponsors, moved our governance so that we were a

lot closer to them as an organisation, and they would openly share the issues and challenges that they had on the project, which we were not getting as much of prior to 2018.

Q17 **Mrs Drummond:** My next question is about the role of the Treasury and the IPA, and how they have been helpful or have hindered the process along the way.

Neil Couling: Can I just add to that last question? Getting openness in projects is the hardest but most important thing that somebody trying to lead a project can achieve. I do not think that you can be successful without that, so the NAO is absolutely right on that point.

In terms of support from the Treasury and the IPA, they are both on the programme board for universal credit. We try to be totally open on absolutely everything with the Treasury and, indeed, the IPA, so there are no secrets at all. This is partly due to the history of universal credit, which sounds a bit like Crossrail, where this belief and this desire to get it done meant that people could not see the problems in the early days. We work really hard at that and have the support of the Treasury. I could name Danny Alexander, for example, who was Chief Secretary to the Treasury.

Chair: That is a blast from the past.

Neil Couling: We are in the right room for Danny, I suppose. His support for the project at its darkest times was a key enabler to its success, and he led the Treasury through to help us. We had great trouble with spending controls. When I first arrived as SRO, you could not spend a penny on anything, and he helped build the confidence inside the Treasury to release some of those controls. The IPA has been a firm but challenging friend in the scrutiny that it has put through their regular reports on the programme. I find no fault there at all, really.

Matthew Lodge: Getting them both closer to the project post 2018 was really important. We knew that Crossrail was going to need more money, because of the prolongation costs of the project running late. Treasury was always advised through our sponsor board going forward after that, so they had clear visibility of where the project was and what it was doing. We worked closely with the IPA on the work that our external advisors, KPMG, did on reviewing the structures and governance of the project to make sure that we got that right when we reset it.

Jim Barton: I would just add the Government Commercial Function in Cabinet Office to your list. It was very helpful to us as we were working through how to reset our commercial relationship with our provider, which was a strategic supplier to Government. It was able to ensure that the way that we were engaging with that provider leveraged other conversations that were going on in Government.

Dr Marsh: I would draw a difference between the reset that was done on the Ajax programme in 2018, as referenced in the report here, which was very much a commercial-led reset, and the reset that I have led recently,

which has required reapproval through the investment committee. Therefore, we have had both IPA and Treasury colleagues routinely engaged, if not embedded in the team, ahead of building up the business case for the reapproval through the investment committee.

Nick Smith: I am still smiling at the thought of the Second Sea Lord coming to your rescue, Mr Couling.

Neil Couling: Yes, he was a truly wonderful man.

Q18 **Nick Smith:** Mr Couling, you talked about your top team suffering trauma, which is a very strong word, and Dr Marsh talked about psychological safety. Did other witnesses hear teams experience trauma too? Mr Couling, you said that you were the first to go through it, so maybe you came up with a playbook that might have been able to help others. I am just trying to understand what happened then and how your teams got over that trauma, revived and picked up the baton again. Do you have any thoughts?

Neil Couling: There was a long process of healing after this for people. We had to reset the plan in terms of a way forward, and build back the confidence in the rest of Government. I spoke about the Treasury and the IPA, which were very sceptical at the start as we exited the reset, and we tried to keep things moving on as well.

Being on the reset team, I said to David Pitchford, who did not have any experience of social security, that we needed to roll out our first four offices. That was the commitment that Iain Duncan Smith had given, and it was really important. Big projects thrive on forward momentum, even if it is tiny. I have described them to some people as sharks. If sharks stop swimming, they drown, so they have to keep moving forward.

We built some confidence in the team by continuing to progress the project. Even though it was under all of these new rules and we knew that we had to replan, we kept those pathfinders, and it was 10 years ago last month that the first pathfinders started. So we just kept things going and then slowly rebuilt people's confidence in the programme, externally and internally.

With the universal credit fun, at one point there were two teams running against each other, so there were two potential solutions before we got to the twin track. When I took over, there was still the legacy of those teams competing. I would not do that again. I did not make the decision to compete the teams, but it did mean that I had to do lots of work rebuilding out of a reset. My colleagues will tell you in a second that they did not go through that kind of heavy trauma that universal credit did, because it was the first to be reset.

Q19 **Nick Smith:** Mr Lodge, did you experience something similar?

Matthew Lodge: Rebuilding Crossrail Ltd was a challenge, when, in August 2018, a large number of people honestly thought that the project would open in December 2018, only to be told that it was going to be delayed by a year or more. We had also held open days, and I am sure

that some Committee members may have been there, where we were like, "See you next year". I remember one at Whitechapel about a year beforehand, where we said, "We will see you next year". Everybody thought that it was on track to open at or about that time. After having the trauma of going through that, it took an awful long time to rebuild the organisation, in terms of both its confidence and the confidence of people within it.

Jim Barton: I would probably use the word "grief" rather than "trauma" in electronic monitoring. One additional reflection is that there is often a very tricky period, where the fact that you are contemplating a reset is not visible to the wider team, because of the sensitivities involved. That period needs incredibly careful handling, for obvious reasons.

Dr Marsh: I would echo what colleagues have said here. For us on the Ajax programme, we had a crisis moment over a safety incident, with noise and vibration. The events around that were reported through the King report and through the NAO last year. It was very difficult for individuals to ensure that they continued to have the confidence to speak up until their messages were heard. That is a matter of record for the programme.

Q20 **Mr Francois:** Apologies for being slightly late, gentlemen. Dr Marsh, the Ajax programme began in 2010, so it has now been running for some 13 years, and still we do not have a usable fighting vehicle. When was the reset carried out?

Dr Marsh: The report that the NAO has done looked at the recast agreement, which was done in 2018-19. Also, as colleagues will be aware, I have led a reset in the last year following the problems on the programme with noise and vibration in particular, but the overall schedule to delivery as well.

Q21 **Mr Francois:** You said that there was a recast in 2018-19, so, in layman's English, we have done a reset of the reset.

Dr Marsh: Yes. As the report here draws out, the recast in 2018-19 was broadly a commercially-led reset of some contractual issues that were outstanding at the time, coupled with a growing slip to the programme and the growing realisation that the schedule was not working. As the NAO commented on last year, the programme was rejigged and concertinaed back in 2018 in order to try to protect the delivery date, but that introduced such risk that that scheduling effect did not work either, and that is what I have reset in these last six to eight months.

Q22 **Mr Francois:** When you did reset one in 2018-19, did you change the contract with General Dynamics at that time?

Dr Marsh: Yes. There was a renegotiation of the contract. I was not in post at that time, I should say, but the contract was renegotiated and a number of fundamental changes to the structure of the programme were introduced into the contract.

Q23 **Mr Francois:** Now that you have done reset two, did you change the

contract again?

Dr Marsh: We have had to change elements of it to support the new schedule, but the overall commercial terms and conditions, and the overall legal responsibilities under contract, have not changed.

Q24 **Mr Francois:** The taxpayer would ask, "Why did you have to change it all twice?" Ideally, the taxpayer would think, "If you really have to change it, you would change it once and then you would stick to it". Am I right that the initial operating capability—in layman's English, when you think the thing will first be ready to go into battle—is now the second half of 2025?

Dr Marsh: That is correct.

Q25 **Mr Francois:** That will be 15 years since the programme began, will it not?

Dr Marsh: That is correct.

Q26 **Mr Francois:** The definition of IOC is one squadron.

Dr Marsh: That is correct.

Mr Francois: So that is 14 vehicles.

Chair: Just explain IOC for people.

Dr Marsh: Initial operating capability. It will be a squadron's worth of vehicles. It is closer to 25 operational vehicles sustained for a period of six months on operations.

Q27 **Mr Francois:** When will the whole thing, so full operating capability, be available?

Dr Marsh: It is going to be between late 2028 and autumn 2029. That will be when all of the army structures that require the Ajax family of vehicles are trained, have the vehicles and can be deployed on operations.

Q28 **Mr Francois:** So that is 19, going on 20 years from when the programme began.

Dr Marsh: That is correct.

Q29 **Mr Francois:** You are aware that it is the policy of this Committee that the UK's defence procurement system is broken, are you not?

Dr Marsh: I have heard that, yes.

Q30 **Mr Francois:** This is why, is it not?

Dr Marsh: There is no doubt—and we have been very open—that the programme has had huge problems. That has been a matter of record. We have been trying, through those various resets, to correct those problems and create a deliverable programme, particularly around the programme schedule

Q31 **Mr Francois:** When you did the resets—and you say that you have done

at least two—did you, at that point or at any stage, look at other options whereby you might cancel Ajax and use the money that you have left? The total programme is £5.5 billion, is it not?

Dr Marsh: Yes.

Q32 **Mr Francois:** Did you at any point say, “We are throwing good money after bad? Here are some other options that we could buy instead”?

Dr Marsh: The resets were governed in a slightly different way. The recast agreement referred to in the NAO report here—the commercial reassessment—was governed slightly differently to the reset that I have now done in the last 12 months. I have taken the programme back through a full reapproval through the investment committees. As part of that full reapproval, we have gone back to those basic questions of, “Is this the right solution for the requirement? Is the requirement still there? Is this the right solution? Are there alternatives? Do they make sense?” With Treasury and IPA colleagues, and other internal scrutineers, we have had an open challenge to the programme about whether this is right.

Q33 **Mr Francois:** So in reset two, you looked at other options, but not in the first. What were the other options that you looked at in the second reset?

Dr Marsh: Taking the requirement, we looked at any available or possibly available armoured vehicles that would meet the requirement for our armoured reconnaissance.

Q34 **Mr Francois:** Was CV90 one of them?

Dr Marsh: CV90 would be one of them. That was the original vehicle that competed against the Ajax programme. It was not called Ajax then back in 2008 to 2010. All those years ago, the Department had done a full competitive runoff against the two.

Q35 **Mr Francois:** We know that, but then, unfortunately, what you bought did not turn out to be what you thought you were buying. It certainly did not keep to the schedules.

Dr Marsh: That is correct.

Q36 **Mr Francois:** When you did reset two, as we are now calling it for the purposes of this afternoon, you looked at other options, including CV90, but you still rejected them and decided to press on with Ajax, despite all the problems.

Dr Marsh: The issue that you have to face when you look at those other options is what it would take to get that product. We would be looking at cancellation of this project, with the write-off and the investment made around it. There might be instances where that is the right thing to do, of course, but our assessment of what we would then need to do to get a product, whether CV90 or any other vehicle, was that that would be a hugely long and hugely expensive process.

You have to couch that against my judgment, which I was specifically brought in to do, which was, to use the phrase, fail or fix this programme. My judgment was that this programme could and would be fixed and, therefore, there was a viable option to press on and deliver the programme.

Q37 **Mr Francois:** The Chair used the same words, "fix or fail", in a media interview. Did you look at the option of cancelling Ajax and trying to recoup some of that money from General Dynamics by suing it for liquidated damages?

Dr Marsh: When we were taking that decision about whether the programme could be fixed, whether it was viable and whether it could be delivered, we looked at all of those options with close support from our commercial and legal colleagues.

Q38 **Mr Francois:** You do realise that there are some people who are very sceptical that Ajax passed all its trials when it was the MoD that was conducting them. It could be said that you were just marking your own homework and that it was too big to fail, could it not?

Dr Marsh: We have been really careful to make sure that we have much stronger independence in the programme as well. Our colleagues in the Defence Science and Technology Laboratory, for example, are fully embedded in that team.

Q39 **Mr Francois:** They are a part of the Ministry of Defence.

Dr Marsh: They are indeed, but internally separate from the programme. Also, we have contracted world-leading consultants to support us. They are contracted, of course, but they have their professional standing to guard against their independence as well. We have done everything that we can to have independence in this trials programme and to make sure that we are creating objective results.

Q40 **Mr Francois:** In 2025, when Ajax IOC comes in, will it use Bowman or Morpheus as its communication system?

Dr Marsh: It will use Bowman, which was always the plan. It was always the plan to enter service with Bowman, with a path to upgrade to the Morpheus programme when it was available.

Q41 **Mr Francois:** When will you put Morpheus in?

Dr Marsh: If it is still the right thing to do, we will put it in when it is available.

Q42 **Mr Francois:** When?

Dr Marsh: I am afraid that I do not know that.

Q43 **Mr Francois:** One of the fundamental problems with Ajax is that it is a highly digitised vehicle.

Dr Marsh: It is.

Q44 **Mr Francois:** You need this very clever brain in order to exploit that capability. Bowman is not capable of doing it, so you need Morpheus, but Morpheus does not exist yet. That is right, is it not?

Dr Marsh: Bowman is capable—and very much so—but it does not have the data capacity and future aspects.

Q45 **Mr Francois:** Precisely, which is why we need Morpheus. When is Morpheus coming in?

Dr Marsh: I do not know that, I am afraid. That is a question for the Morpheus senior responsible officer.

Q46 **Mr Francois:** So the whole programme hangs on that, and we do not know when the new brain is available.

Dr Marsh: I would disagree that the programme hangs on it. It has always been the plan to upgrade to it, but the vehicle meets all of its requirements with the Bowman system.

Q47 **Mr Francois:** No. Where are we on the Sheldon review?

Dr Marsh: The Sheldon review is in the final stages of preparation. The exact date is a matter for Ministers, but we are very close to that coming out.

Q48 **Mr Francois:** As background, for those who do not know, Ben Wallace was so annoyed by the problems with Ajax—

Chair: Secretary of State for Defence.

Q49 **Mr Francois:** Sorry, yes. He brought in a then QC and now KC called Clive Sheldon to conduct an independent review of the programme—not the technical bits and not how you solve the vibration, but how it was managed and who knew what and when. He submitted that report to the MoD in late January, and we are now in June. The Permanent Under-Secretary said that we would have the thing published by April, so why has it taken so many months? A cynic would suggest that some people in the MoD are desperately trying to water this report down because it is critical of them.

Dr Marsh: I should say that the report is being led through our Second Permanent Secretary's team in head office, rather than through me in the programme team, but I am aware that Mr Sheldon has been very careful to protect the integrity of his report. He is in charge of the report. The Department did support the Maxwellisation process of the draft report, and so that has been happening in recent months, but the integrity of the report is a matter for Mr Sheldon.

Q50 **Mr Francois:** Mr Sheldon is not the problem. His credentials are impeccable. The problem is why it takes five months to check some basic facts. Journalists are starting to use phrases in private like "cover-up".

Dr Marsh: All I can say is that my understanding, which is not deep, because I am not part of that review and I was not—

Q51 **Mr Francois:** It is a review of a programme of which you are now the senior responsible owner.

Dr Marsh: It is.

Chair: Dr Marsh is not responsible for the timescale.

Q52 **Mr Francois:** I understand that perfectly, Dame Meg, but this is all starting to smell. Bearing in mind that the PUS said April, as the SRO, can you at least give us some idea of when Sheldon will be published?

Dr Marsh: I can, but only vaguely, because I am not in control of that process.

Q53 **Mr Francois:** Vaguely when?

Dr Marsh: I am assured that it is very close and will be a matter of weeks.

Q54 **Chair:** Dr Marsh, on the point of expertise, you were deputy chief executive of DSTL.

Dr Marsh: That is correct.

Q55 **Chair:** On Ajax, you produced a set of criteria for trials. When you were in that role at DSTL, which, as you say, is arm's length, did you feel independent of the MoD as a professional in that very specialist agency? Did you feel that you had to do what Whitehall wanted?

Dr Marsh: My experience is that, as a scientific and technical agency, there is a very strong sense of professional integrity and people being prepared to stand behind their opinion objectively on the basis of science and technology. It is true that, by and large—not 100%—funding flows through the Ministry of Defence to Defence Science and Technology, but the experts employed in DSTL will fiercely defend their independence and their ability to offer an objective technical view without fear or favour.

Chair: It is helpful to hear that from the horse's mouth, as you were in that role.

Q56 **Sir Geoffrey Clifton-Brown:** Chair, I apologise to you and the panel. I have been on a competing Committee, so I am sorry that I was late. Dr Marsh, following Mr Francois' questions on Ajax, you have said this afternoon that full in-service delivery will be 2029.

Dr Marsh: That is correct.

Q57 **Sir Geoffrey Clifton-Brown:** Will that include all six variants?

Dr Marsh: Yes, it will.

Q58 **Sir Geoffrey Clifton-Brown:** Assuming that, by then, we do not have the Morpheus communication system but it is still deemed that we need to have it, that will involve ripping out all the Bowman systems from all of the vehicles, which will amount, surely, to a third reset, will it not?

Dr Marsh: No. It will, of course, require the radio systems to be upgraded, but, once the vehicles are in service, they will be on a process

of managed maintenance and upgrades over that time as well. It is a question for the future. It is a question of planning those upgrades in a sensible way, just like we do with any other vehicle, whether a ship, an aeroplane or a land vehicle, to make sure that maintenance is done in a planned way.

Q59 **Sir Geoffrey Clifton-Brown:** With all your scientific knowledge, is it fair to say that we are not getting the full technical operation of Ajax without Morpheus, because it is not giving us the full spectrum of communications?

Dr Marsh: To repeat what I said before, we will meet all of the requirements that the Ajax programme was signed up to meet with the Bowman system, but we will not meet the full possible capability of the system until we have that better, more broadband communication system.

Q60 **Sir Geoffrey Clifton-Brown:** Do you have any update for the Committee this afternoon on how Morpheus is going? When is a likely date for it to be available?

Dr Marsh: I do not, I am afraid. That would be a question for the Morpheus senior responsible owner.

Sir Geoffrey Clifton-Brown: Another part of General Dynamics.

Dr Marsh: The senior responsible owner is a colleague in MoD, but, of course, it is another part of General Dynamics that manufactures that system.

Q61 **Mr Francois:** Forgive me, Dr Marsh, but you describe Morpheus as a radio. It is far more than that, is it not?

Dr Marsh: Yes.

Chair: Dr Marsh was probably talking to some of us in the room who are less experienced than you, Mr Francois.

Q62 **Mr Francois:** Forgive me, but I promise that this is not an "angels on a pinhead" point. This is meant to be a highly digitised vehicle. It is meant to be able to suck in lots of data about what the enemy is up to and then transmit it to all sorts of other bits of defence, so it needs more than a radio to do that. Morpheus is meant to be that highly sophisticated brain. I know that you are not running the Morpheus programme, to be fair. We understand that, but it does not give the Committee any confidence that this highly sophisticated brain, which is going to fully exploit what Ajax's £5.5 billion of taxpayers' money is all about, does not even exist yet. As the man running the Ajax programme, you cannot tell us when it is going to be. Can you even give us an estimated date for Morpheus?

Dr Marsh: I am afraid that I cannot. I know that the Morpheus programme has been looking at a reset, to use the language of what we are talking about this afternoon. I just have to repeat the fact that it was always designed and it will be the case that we can meet all our operational capability requirements with the Bowman system. It is true,

as was mentioned there, that the vehicle could take advantage of that improved communication system, which is, as you say, is broader than just radio, to massively improve the overall vehicle's capability. We really look forward to that and want to see it happen as soon as possible.

Q63 **Mr Francois:** I am sorry, but that is not strictly true, is it? Bowman is nearly obsolescent, because, without going into classified matters, the cryptography that it relies on is nearly obsolete. It is obsolescent now and, within a few years' time, the Russians will, effectively, be able to read everything that goes across it. That is why there is a great sense of urgency to replace it, is there not? What I have just said is true, is it not?

Dr Marsh: I am not going to comment on matters of security. It is not true that there is an urgent need to replace the Bowman system for the Ajax family of vehicles to achieve the requirement that they were set out to achieve. They can achieve that with the Bowman system.

Q64 **Mr Francois:** Yes, but, within a few years, the bad guys can listen to all of that, in which case the capability is almost nugatory, is it not?

Dr Marsh: As I said, I am not going to comment on matters of security, but I can just reiterate that the Bowman system is extremely capable and will allow us to achieve the operational capability.

Q65 **Mr Francois:** Lastly, 13 years and billions of pounds on, what is the principal lesson that you have learned from the Ajax programme?

Dr Marsh: That is a good segue to bring it back to the reset topic. There were a number of major changes to the programme, not just the resets. The decision to onshore the manufacturing to the factory in Wales in 2014 was a major one.

For me, the biggest lesson from all of that is that, whenever you make that big, fundamental change to a programme, you change the risk landscape. I would argue, looking back, that we did not properly reassess that risk landscape. We did not look at what new risk or knock-on risk that introduced.

One aspect that is brought out by the NAO Report here is that, whenever you are making a fundamental change to a major programme like this, what it is doing to the risk landscape is an absolutely critical question. If I look back at the Ajax programme—and this has been commented on by the NAO and others—some of those changes were made without fundamentally reassessing that risk profile.

Q66 **Mr Francois:** In what year was that change?

Dr Marsh: The decision to onshore the manufacturing was made in about 2014, if my memory is correct.

Q67 **Mr Francois:** That was before the reset and before the second reset.

Dr Marsh: Yes, it was.

Chair: Thank you very much, Dr Marsh. We have covered this a lot, but

it is helpful to have that timeline laid out.

Q68 **Ashley Dalton:** Sticking with the idea of changes and things like that, I just wanted to talk a little bit about the programme management tools or frameworks that are being used by various programmes. How iterative are the programme management tools or frameworks that are being used?

Matthew Lodge: In terms of programme management tools at Crossrail, that was a very detailed programme. The key thing for me is how we, as sponsors of the project, changed the governance of those projects. As part of the reset in 2018, we changed the way that sponsors and Crossrail liaised with each other and the governance arrangements associated with that. We also changed the way that our project representatives engaged with Crossrail Ltd and us. The project management tools were done within Crossrail Ltd as the organisation. As sponsors, our key element was around how we changed the governance and the relationship between our organisations and the company itself.

Neil Couling: An iterative, agile approach has been the core of the success in how we turned universal credit around. Just to echo something that Dr Marsh was saying to that last question, the big changes to the timetable for universal credit after the reset have been changes that people have wanted to see to universal credit. Something that I did, on which I coach other project leaders now, was to negotiate very hard on that timetable and say to Ministers, "Yes, of course we will do that. That means another two years on the programme". That has meant that, while the risk profile went up massively when we introduced new changes, we could manage those risks because they were paid for with more time to do things.

Jim Barton: Linking back to a comment that Mr Lodge made earlier around the changing requirements and context of programmes over their lifecycle, what is important is to make sure that the tools and the programmatic machinery that you have in place are right for a programme at a specific point in time. When you are going through a reset, it can, on occasion, create a kind of reporting machine, with very heavy demands from above for more and more information. On one level, that is totally understandable, because, by calling the need for a potential reset, you are saying, "This programme has challenges". There is always something that you have to guard against as an SRO to ensure that the work does not become "turn the handle on that machine" and to focus the energy on the decision itself.

Dr Marsh: You are asking about the structure around programme management tools and techniques. I would reflect back, through my experience, that the suite of tools that are available to programmes in Government now, under the work that principally the IPA has done particularly in the last five to seven years, is excellent. From a Ministry of Defence point of view, we have never been short of internally generated advice, good practice, frameworks and all sorts of things.

If you look at the IPA's "Setting up projects for success" and the framework for asking those questions around assurance and what the real state of the programme is, that suite of products is really excellent. We all have access to that and are probably doing that more consistently across Departments than I have seen in 30 years.

Q69 **Ashley Dalton:** I was really interested to hear what you said, Mr Couling, about how the reset almost led you to then adopt a more agile programme management approach. To what extent might those experiences have developed those new tools? Might those new tools reduce the risk of reset in future?

Neil Couling: I think so, although I would say that resets are a pretty natural experience in major long-term projects. Things do change. Since I started universal credit, to list a few, we have left the European Union. We have devolved benefits to Scotland for the first time, and we have a partnership arrangement now with the Government in Scotland about how we deliver universal credit. They can set some bits of it; we can set other bits of it. We have had the Covid pandemic. We are currently living through cost of living challenges. These all generate change into these big change programmes.

Q70 **Ashley Dalton:** In terms of the management of the programmes, how diverse are your programme boards and the leadership in terms of the people, but also the skills, the experience and the types of programme management experience that people might have across the governance and the leadership?

Matthew Lodge: With regard to the experience on Crossrail, as I said earlier on, what we got wrong was that we did not have the right levels of experience at the end of the project as we should have had. Systems integration and bringing a railway into operation has a set of skills that are different to the ones about building a tunnel under London. What the project did not do is to involve the governance and those people enough. When we got to the end of it, we had lots of operational rail people and the signalling expert across the world, Mark Wild, as the CEO bringing the project into opening.

My take on that would be to revise that and bring the right people on. One reflection on Crossrail is to make sure that you change and bring those right people with the right skills in, even when you might think that the projects are okay. That is just the time when it is quite difficult, but that might be the right time to make the changes.

Q71 **Chair:** In terms of other diversity, I can remember that there was at least one woman non-exec on the previous iteration of Crossrail Ltd.

Matthew Lodge: Yes, although I cannot remember the exact makeup. As an entity, the Crossrail board was wound up in October 2020, when the governance moved to Crossrail Ltd. I cannot remember the exact makeup, but, if you want me to write to the Committee about that, I am more than happy to do so.

Chair: It is interesting to know that and helpful for us to monitor it.

Neil Couling: On that particular diversity point, the DWP does rather well. The majority of our executive team are now women. In fact, men are a very small minority now on our executive team. We have also made sure that the programme board has diversity. I mentioned that the Treasury and the IPA are on it. We have a local authority chief executive as well, so we hear those voices too. The programme board has, over its time, had women and men, in almost equal number, fulfilling different roles.

Jim Barton: On the point around demographic distribution, doing the maths in my head, the programme board is representative of HMPPS as a whole. That is not the same as being representative of society at large. There is absolutely something around the other aspect of your question, if I interpret it right, which is the challenge function and diversity of thought.

Q72 **Ashley Dalton:** That is exactly what I am talking about.

Jim Barton: One of the conclusions that the NAO reached when it was looking into electronic monitoring, which this Committee agreed with, was that we did not serve ourselves well by treating electronic monitoring as a programme that was happening outside the wider ecosystem of change within MoJ. Specifically, we did not have our digital arm, Justice Digital, with responsibility for delivering the digital aspects of our programme.

That linked back to a couple of causal factors. One of them, being frank, was that this was seen as a difficult project that people were not rushing into the fire to take control over. With hindsight, that was a mistake and is something that we have now corrected. Justice Digital has oversight of the ongoing strands of digital work that we are delivering within electronic monitoring.

Dr Marsh: As I mentioned earlier, since I became SRO, I have, as much as possible, increased the size of the programme board to include much greater diversity in terms of gender, ethnicity and thought. Clearly, the programme board is an internal board, but I do, for example, now include our main supplier, General Dynamics and its senior vice president, for the part of the meeting that he can attend. In an open and grown-up way, we ask him to leave when we talk about commercial and more sensitive issues. That is a sense of trying to open that out to make sure that, as chair of that board, I can hear as many diverse views as possible around the table.

Q73 **Chair:** We have covered a lot of ground. Mr Couling mentioned Danny Alexander, former Chief Secretary to the Treasury between 2010 and 2015, as a key player in helping to break down barriers with the Treasury. I just wonder if any of you have experience of either a key Minister or, indeed, political pressure—those can be the same or different things—having had an impact on your resets. Ajax has been very politically hot, but not necessarily in party political terms. There were challenges with universal credit, sometimes in party political terms but

also between different Departments within the coalition Government. I just wondered if you had anything that you wanted to say.

Matthew Lodge: On the funding, we talked earlier on about the prolongation costs and the Crossrail project needing more money. Those discussions between London, the Treasury and the Department were difficult.

Chair: Because you had a third party in Transport for London.

Matthew Lodge: Absolutely, and the Greater London Authority. It is one of the main funders under things like the business rates supplement and the community infrastructure levy. Those discussions were difficult and meant that there were many late hours in getting project agreement, and funding and loans agreed, between all those different parties. It was difficult.

Q74 **Chair:** Mr Couling, you had a cut to funding from the Treasury at the time. You had a Secretary of State who had been working on this for years in Opposition, and then a five-year term, which was one of the problems, as we have looked at it from the Committee's point of view, that put pressure on the project at the beginning. Do you have anything to add to that?

Neil Couling: Without Iain driving this, I do not think that there would have been a universal credit, so there are swings and roundabouts.

Q75 **Chair:** It is problematic. It is how you, as civil servants, deal with that political pressure. That can be a drive by a passionate Minister. It can be a passionate Minister coming in and wanting to put a stop to what their predecessor did. It can be noise in the House of Commons or in other places. Those are all things that have to be factored into major projects but can also be a bit of a trigger for a reset sometimes.

Neil Couling: You have told me before, Chair, that I am too candid for my own good at times, but let me try one today.

Chair: We love candour, Mr Couling.

Neil Couling: I know.

Chair: Please be candid.

Neil Couling: But can you protect me? On the specific of a reset, what I observe is an understandable desire to exit the reset as soon as possible—the NAO Report is excellent, by the way, and we have used it in the Department already, so I am grateful to the NAO for it—but that you exit too early. When you are in a reset, do the job properly. The political pressure will be on you to come out as soon as you can: "What is the new plan then?" Government are rarely doing things that are a complete waste of time. That is not what they do. You have lots of pressure on you politically to do that. If I am ever in anybody's ear about this, I say, "Take your time. A reset is a good place to be. Work your way out of it".

Chair: That is really helpful.

Jim Barton: We benefited from having a ministerial team who were firm believers in the potential of electronic monitoring. For many years, it had slightly sat in a dusty corner of our imagination in terms of its role in criminal justice more generally. That very much changed with Kit Malthouse arriving as Prison and Probation Minister.

Q76 **Chair:** You name him individually, which is quite interesting. Was his a strong personality? He had a track record in London government of delivering.

Jim Barton: It was a firm belief in the role of electronic monitoring, based upon proven experience in London, as you point to. That created a space in which there was appetite and very candid conversations about the challenges we had with electronic monitoring, and a willingness to air and resolve them. Problems were being viewed and discussed in the context of an opportunity.

Q77 **Chair:** It was a grown-up conversation. You were not feeling under the cosh. You were not hauled in and told you were failing.

Jim Barton: No, 100% not. It was a conversation around, "This is what you want to achieve. We can achieve that, but, in order to get there, we are going to have to make some hard decisions around the current service".

Dr Marsh: We have benefited from very strong hands-on ministerial involvement throughout these last 18 months. My biggest lesson, though, is that that brings with it a certain process for making decisions and moving forward. Thinking about that, you have to then plan that that is what it is going to take to get those decisions.

That has introduced some delay to the overall reset, but, I would stress, for the right reasons. Ministers were adamant that it was going to be an objective, fact-based process of coming through this problem of time that we had on the programme. We wanted evidence and solid progress to report on. Ministers made that commitment that they were going to be open with Parliament and to report on that as well. The lesson for me was that we had to plan that that would be what it required in order to get decisions in order to move forward.

Q78 **Chair:** Planning the political.

Dr Marsh: That is right.

Q79 **Chair:** That is interesting, because a Secretary of State has been there for a while, but you have had a rather rapid change of procurement Ministers, whereas Mr Couling mentioned Sir Iain Duncan Smith, who was there for the whole five years of that term of Parliament, so real consistency there. Has it hampered you by having a very fast turnover of some Ministers?

Dr Marsh: We have benefited from consistency in ministerial stance in this period of crisis. The only slight problem is that a new Minister

requires briefing and bringing up to speed, so that has been a little bit of a frustration, but it is democracy.

Q80 **Chair:** Yes, absolutely. I just wanted to touch on the commercial renegotiation. Some of you have different elements of that, but perhaps less so on universal credit. How problematic has that been? We have seen projects that have been reset, but going back to a commercial contract is really costly and time consuming, and could be very costly to the taxpayer. I do not know if any of you have any comments on that. Dr Marsh, you have done some of that, but, at other stages of resets, you have not, so do you want to talk us through that?

Dr Marsh: For the Ajax programme, perhaps different to colleagues, our contract is based on a firm price, which means that it has not varied in monetary value since it was let back in 2015. In some ways, that has been a very hard and very solid contract to stand behind and has allowed us to make commitments that we will not pay any more for what we have contracted for, etc.

The reality of life, of course, is that other prices have increased over that time, so the supply chain prices have increased, and the prices of any additional items that are not yet on contract go up over time as well, so there is a cost pressure to the delay. On the main vehicle contract, that has been protected by the fact that it was a firm price contract at the outset, so there are some pluses and minuses to that.

Q81 **Chair:** We have talked lots on this Committee about contracts and how they are let. You now have General Dynamics sitting on your board. You are not quite partnering, but you are bringing that sense of working into it. Was the original contract the right approach or would you do it differently, now that you know what you know? You were not there at the beginning, and it is not about you criticising your predecessors.

Dr Marsh: There are various aspects to the contract, but it has, commercially, been hugely to our favour that we have had a hard price to stand behind and insist that we stay within. As the NAO Report recognises, perhaps a recognised indexed approach through a fixed price contract would be a little bit less risky today, but it would depend, of course, on what that negotiation resulted in in terms of the indexes used, etc. There is a bet about those indexes.

Q82 **Chair:** We might put that to our next witnesses. Mr Barton, you pulled the plug on a commercial contract. We know some of the why, but can you just talk us through that?

Jim Barton: The why was driven by a number of factors, but it was a straightforward financial assessment that we were burning money that was not going to deliver public benefits. That commercial renegotiation benefited from a point that Mr Couling referenced earlier around having time to do it. Having pressed pause on the ongoing digital development work, we still had an operational service running in the background. We spent, ultimately, about six months in dialogue with our provider before we settled on terms.

Q83 **Chair:** Six months is quite quick with a commercial provider. Did you feel that that was an achievement? Did it feel like that at the time?

Jim Barton: It felt like the right balance of time. We had about five different strands of that conversation running. The challenge was bringing those together into a full settlement. For me, some of the success of that is that our relationship with the supplier has improved post settlement, despite them writing a very significant cheque to us. We did benefit from the fact that it was self-evident to the supplier at that point in time that we were moving towards a re-procurement of that contract. Organisations take a medium and long-term view of their own self-interest.

Chair: That is neatly put.

Neil Couling: My predecessor, Howard Shiplee, did a lot of good work on our commercial position and brought in a commercial director. We had to extract ourselves as we went into twin track and then exited twin track. We had an externally built service and one that we were building ourselves, so there was lots of commercial work extracting us at minimum cost to the taxpayer from those arrangements, while deriving the benefit from the investment that we had in those systems and then switching those off.

Q84 **Chair:** What is your takeaway learning from that?

Neil Couling: Like Mr Barton was saying, you need time to do this well and you need to have discussions with suppliers from which you try to emerge in some kind of a win-win situation with them. It took many years to move from where we were in 2013-14 to the point in 2018 where those systems were switched off and we started to convert fully to the full service, as we call it, the one that underpins universal credit today.

Q85 **Chair:** Mr Lodge, it is perhaps slightly different for you.

Matthew Lodge: On Crossrail, as the Committee heard before, we had something like 36 contracts, which was part of the problem that led to the issues that we had in 2018. Some of the financial incentives that existed within many of them were turned off or minimised in the run-up to 2018 and getting the project over the line. The Crossrail project team then spent time—and I would agree with colleagues about the time that is needed on these resets—re-establishing those contracts and bringing the right incentives to get the railway open and the key elements of the project completed.

Q86 **Mr Francois:** Dr Marsh, you said that, in 2014, the decision was taken to switch the production of Ajax to the United Kingdom. Did we hear you right?

Dr Marsh: I think that is right. I would need to check, but it was a decision that was taken to create the onshore factory in Wales.

Q87 **Mr Francois:** That must, presumably, have needed a new negotiation of

the contract as well. If you are going to build it in one country as opposed to another, you must have had to amend the contract for that.

Dr Marsh: The decision was taken at the end of the previous phase of the project, and so the commercials of that decision would have been wrapped into the main gate decision and resigning of the contract in 2015, which was the production side of the contract.

Q88 **Mr Francois:** In other words, there have been three resets, have there not? There was the one in 2014 to move production to the UK, the one you told us about in 2018-2019, and the one that you recently presided over. There have been three resets in reality, have there not?

Dr Marsh: I would echo what Mr Couling said earlier. In any major programme that is lasting a decade or more, whether you want it to or not, you are going to have moments where there is a significant change.

Q89 **Mr Francois:** Yes, but, with respect, it was meant to enter service in 2017.

Dr Marsh: Indeed.

Neil Couling: On the original plan, universal credit was meant to be in place by 2017. The point that I am making, Mr Francois, is that changes happen to big projects. They might be external; they might be internal. You might have made some mistakes on the project. There could be some external change. You have to respond to those as the project leader, and that is what Dr Marsh was talking about.

Mr Francois: I take the point, but the taxpayer would like as few of these big changes as possible.

Q90 **Sir Geoffrey Clifton-Brown:** The reason that you are here is that this Committee has done a lot of work into all of your resets. I have been on this Committee for a long time and, thinking about all your resets, I am wondering if they were almost inevitable from the start of the project. It seems to me that, in these big projects that have gone wrong, the scoping has not been properly done. There has been too much optimism bias and a lack of technical skills to advise the procurement team of what is technically realistic when it draws up the contract. I do not know whether any of you would like to comment on any of that.

Neil Couling: I agree and disagree, Sir Geoffrey. I agree to the extent that, almost certainly, projects start out underestimating the time that they are going to take to complete, but that is partly because you cannot freeze politics and you cannot freeze what is happening in the world. If it is a two-year project, you have a chance of getting it all done in two years, but not if you have anything that is going over a parliamentary term.

For example, in 2015, I had to be ready for a change of Government. Technically, it was a change of Government. We went from coalition to Conservative then. It was a massive change, in that the Conservatives were elected on a promise to reduce welfare expenditure. That just was

not in the universal credit plan as of 2015, and so I had to reset it then. I did not call it a reset, for all the reasons that I set out to Ms Dalton's questions earlier.

Things happen and it is impossible to factor in all of the kinds of things that I have laid out as having happened since we started on this path with the universal credit. Yes to some of them, Sir Geoffrey, but there are other factors too that make that almost an impossible ask.

Q91 **Sir Geoffrey Clifton-Brown:** Mr Barton, there are clearly difficult technical problems with your tagging project. I would say that that falls absolutely into my category of not having the right technical skills to start with to know what was technically possible when you entered into the contracts.

Jim Barton: This Committee has looked into electronic monitoring on three occasions, and potentially more than that. To that extent, I am not sure that I can disagree with your statement, Sir Geoffrey. The programme was reset originally due to what, with hindsight, looks like significant overambition around our ability to specify and build a bespoke tag rather than buy off the shelf.

Chair: Optimism bias.

Jim Barton: Of course, there were multiple other challenges post that point in terms of our relationship with suppliers and the ability of those suppliers to deliver tags to us to our specification.

In terms of the reset moment that we have been talking about or focused on here, I would just point out, in an attempt to provide balance, that we have been providing an electronic monitoring service enabled by GPS throughout that period. GPS rolled out across the UK in 2019.

It is absolutely right that an aspect of this programme failed. We needed to switch it off to recognise a loss of £98.2 million, which we did, and we were challenged on that here in our previous session. In terms of the broader aim of this programme to deliver GPS tagging across the UK, that was delivered.

Matthew Lodge: If you look back, the scope of the Crossrail project that we have now delivered is virtually the same as we set out to deliver in 2008, so the scope has been very fixed. The joint sponsor arrangement with TfL is part of that. We did not deliver it to time and we did not deliver it to budget, but, in terms of the scope of the project and in terms of the outputs, it was fixed. That did not change much.

What I would agree with is that there was optimism bias in the project around the late stages of delivery in terms of how you bring that railway into service. That is linked to some problems with transparency and governance between the sponsors and Crossrail Ltd. As I said earlier, refreshing the board and the non-executive directors on the Crossrail Ltd board, and bringing different skills in to reflect the different stages of that project, was what we did not do.

Q92 **Sir Geoffrey Clifton-Brown:** Thank you for that answer, because that brings me on to two further questions that I was going to ask you. First, would you agree that you need different skills on a big project like Crossrail at different stages of the projects? You had civils. You then had electronic integration systems. You need completely different skills.

Matthew Lodge: You probably have railway operations at the end as well.

Q93 **Sir Geoffrey Clifton-Brown:** On that, much of the blame for the delay on Crossrail has been given for integration of the communication systems, but, when we went to Crossrail, it was in trouble in terms of the building of the project in 2017-2018. The price mechanisms that you mentioned in those 30 contracts were not being enforced properly. The project was already in trouble in 2017-18 through civils being way behind where it should have been, so it was always going to be late.

Matthew Lodge: I talked about transparency and optimism bias. At that time, Crossrail Ltd was redoing its programme. It was compressing that programme to a point whereby it became undeliverable in mid-2018. If you look back in terms of the project, that was the point where sponsors were asking those questions. If we had had a far closer relationship with Crossrail Ltd, we would have been wise to that event earlier and asking those questions and resetting the project a bit earlier.

Q94 **Chair:** That is a very candid answer and very helpful. We are here genuinely trying to learn lessons. You had the contracts in place. There were too many of them, but you had a price incentive mechanism in them that you did not operate. Why was that?

Matthew Lodge: Crossrail changed some of those arrangements and some of those contracts with the ability to try to get the project completed to the date in 2018 that we were aiming at. That did not work in terms of those contracts that they renegotiated.

Q95 **Chair:** Some of you have given us some of these answers in different ways. As an SRO of projects that have been reset, I wonder what you think the top three issues are if you were giving advice to your successors. What do you need or desire from the rest of Government, including His Majesty's Treasury and the IPA? We have talked a bit about the politicians and some of the other things. Mr Couling, you explained very well the political challenges. What are the top three issues that you would pass on to a successor as an issue to consider, and what do you need from the rest of Government?

Matthew Lodge: From my perspective, we have talked across this table about the time point. If you are going to do a reset, take the time to do it, and do it right. There also needs to be a recognition that, if you do that reset, you will not necessarily get it right first time. It may need to be changed. Crossrail did that in 2018.

Another thing is to make sure that, when you do that reset, you make sure that you have the right governance in place associated with it, and the right flow of data. Resetting those behaviours between the delivery

organisation and sponsors was key in terms of resetting the project more generally.

Q96 **Chair:** Is there anything from the rest of Government that you would like to see?

Matthew Lodge: Sometimes a recognition that you do not always get it right, and sometimes a recognition of the time point. On Crossrail, as the report talks about, the pandemic was a helpful point in terms of resetting the project, because it gave the project time to replan when we stood down the work programmes.

Neil Couling: I would add that there needs to be the team to do it. Think very carefully about whether you have a reset team or whether it is something that you are going to ask the SRO to do. When you lead out of it, if one of the conclusions of the reset is not that you need to change the SRO—though that might be what you conclude—you have to give that leadership back to the programme as soon as you can, as soon as the reset work is done.

Q97 **Chair:** Be clear about who is in charge. What about the rest of Government?

Neil Couling: We need to see resets as a good thing as well as potentially a bad thing here. If the rest of Government could think in that way, and the kind of advice that is in the NAO Report could be codified a bit more, that would be helpful.

Jim Barton: Just to add to the points that colleagues have made, you need to be open to the need to do it and to see it as a primary function of your role as SRO to know when to call it. Sometimes, the easier path is to simply carry on doing the same thing, but it is negligent if, as an SRO, you do not call it.

I would link back to the point that Mr Couling was talking about earlier in terms of protecting the team through that process. We have used various words to describe that experience, but it can be very challenging for those involved.

Attempting to answer the second question as well, there is something around utilising colleagues like the IPA, Treasury, Government Commercial Function and Cabinet Office to help build that case for change, so that it is not a single voice; there are others who can argue for the need for a more fundamental review, which may or may not lead to a reset when that feels like the right thing to do as an SRO.

Dr Marsh: Looking back, whenever a programme gets into a position where it is going to require a reset, you see the symptoms. It is a slippage. It is a cost increase. There are technical problems. For me, the real question is, "Do you really understand the reasons for that?" so that you are dealing with the cause and not just the symptoms.

Q98 **Chair:** Sir Geoffrey is reminding me that we have a big position on this

Committee that SROs have been turned over too fast, and we have concluded at different times about having an SRO for certain stages of the project. Is that now embedded in Government or is there still a problem with SROs moving on too fast? You have only been there a couple of years, of course, Dr Marsh.

Dr Marsh: The position is much improved in terms of having SROs in place for longer, but we have also talked about broader issues of other senior stakeholders turning over quickly as well, such as chief executives, Ministers and so on. For me, it is about having the right leader for the right moment, and that is a difficult call. It might mean that you do change your SRO for a period quickly, because that is the right thing to do. All I would say is do not be dogmatic about it. It is important to have the right leader for the right reasons.

Q99 **Chair:** In your line of work in the Ministry of Defence, do you need to move on for promotion purposes?

Dr Marsh: We are much more flexible than we were in that sense, but you will appreciate that military and Civil Service structures are fixed. I have seen more flexibility in the last couple of years than there was previously, so we are moving in the right direction.

Jim Barton: I would agree with Dr Marsh. I would accept that continuity by default is a good thing, particularly when you are going through a process such as this. I agree that, at the point you move into a different phase of a programme, it may be helpful to turn over the SRO at that point. I am not sure that "dirty work" is the right description, but there is something about doing the hard yards to get to a point of resetting and then letting the programme itself enter a new phase.

Neil Couling: Come October, I will be entering my 10th year here as SRO. It helped that I was a director general and decided that I did not want to become a Permanent Secretary. This is what I wanted to do with my career and deliver universal credit. That is what drove me.

We had the benefit of Sir Iain for six years as Secretary of State, but I am now on my ninth Secretary of State. That is such rapid turnover. There is something about what the SRO role is. Lots has been written about it, but one of the things is to be the controlling mind. That does not mean you make all the decisions. Ministers make the decisions in our system, thank goodness—it is a democracy, as we pointed out earlier—but somebody needs to be able to see the thing from start to finish. That does not have to be one person, but that is the role you are really asking the SRO to do.

Matthew Lodge: I have been on Crossrail for about six and a half years now. There is a benefit in continuity, but I agree with my colleagues that at some point in time change is the right thing to do. You need a fresh pair of eyes sometimes, both in the organisation of Crossrail Ltd and at SRO level.

Q100 **Chair:** Mr Couling, just briefly, on the promotion issue, you were a

director general when you took it on. If you had been at a lower grade, would there have been an issue with promotion within the DWP?

Neil Couling: Yes. You are asking people to remain in the same role and potentially give up career opportunities. I did that knowingly. I have turned down lots of opportunities, but I wanted to see universal credit come through.

Q101 **Chair:** Is there a problem with the system, if it requires people to keep moving in order to get promotion?

Neil Couling: There is. In terms of the way in which reward works in the Civil Service, that is often the only way. I have been a civil servant for 38 years. I have been under a pay freeze or control for about 32 of those years. The only way to get some form of pay increase for most people is to get a promotion. That is not healthy. I hope I am not breaking too many Cabinet Office rules here.

Chair: We love candour.

Neil Couling: That is a known problem. The IPA tried to do some things about that in terms of the reward for SROs. That is a good thing. If you still had maybe 20 years of your career in front of you, would you want to be an SRO for the next 10 years and see your colleagues get promoted when you were not? That is a bit of an issue.

Chair: We have been long playing that out in this Committee. Thank you very much indeed for your time and your candour. The NAO Report is a lessons learned document rather than a full report, and that is what we are really here to do. It is how we do things that this Committee is interested in rather than so much what we do.

Thank you for your time. The transcript will be up on the website uncorrected in the next couple of days. You are very welcome to stay, if you want, for the next session; if you want to get some cooler air, you are welcome to do that. We are going to adjourn briefly and then quickly turn to our second panel.

Examination of witnesses

Witnesses: Nick Smallwood and Conrad Smewing.

Chair: Welcome back to the Public Accounts Committee on Monday 5 June 2023. We are looking at resetting major programmes on the back of a very helpful National Audit Office lessons learned study into how major programmes are delivered and reset in particular.

I am pleased to welcome, from the Infrastructure and Projects Authority, Nick Smallwood, who is the chief executive and often visits this Committee, and Conrad Smewing, who is the director general of public spending at His Majesty's Treasury. You were not director general when you came in front of us last time, Mr Smewing. Congratulations on the

promotion.

You have heard what our previous witnesses said and you have looked at the report. My first question is simple: as a result of the document the NAO has done, what you have heard and what you know about major projects—I will start with you, Mr Smallwood—what needs to change at the IPA and across Government to make sure that resets are handled better and more systematically?

Nick Smallwood: Let me start by welcoming the Report. We can do a lot to embed the principles of the Report into our processes and procedures. We have already been busy, to be fair, in trying to improve fundamentally the system of project delivery in Government.

Just in the last 12 months, we have seen a maturing of what we call our response to red programme. If you recall, we have changed the RAG ratings of our major project assurance reviews; we have gone from five RAG ratings to three. There is real clarity now on when we believe a project is not going to deliver on its promises on cost, schedule or benefits.

We have then worked with Treasury to develop what we call the response to red. If it is red, we want to get it to green or amber. What does that take? That has led us to implement a programme where we have an assurance of action plan, which we revisit with the red-rated project team 12 weeks after the RAG rating of red. We then looked for them to have demonstrable evidence they have moved the project on to a better place. If that is not the case, we have a case conference with the accounting officer and the SRO.

It is quite a rigorous programme. It is early days, but 59 projects have now been through that process: 71% of them have moved to amber or green after 12 weeks, which is testament to the fact that putting a lot of energy and focus into challenging programmes—at the end of the day, these are some of the most challenging, complex and novel programmes we have—is the right thing to do. Our focus is very much in that space.

We are also equipping our SROs and project directors with the right skills and knowledge in order to do a much better job of the front-end loading of projects so we have less to reset.

Conrad Smewing: Just to add to that, in terms of some of the points Neil was making on culture and how you can see these resets as a positive thing, Government are moving in that direction. That is constantly reinforced by the work the IPA does on training SROs.

Q102 **Chair:** You say that the Government see it as a positive thing, but does the Treasury see it that way? Do you put your head in your hands and go, “Not another project that is going wrong”?

Conrad Smewing: No, we definitely see these things as positive things. It is the case that projects get in trouble or things can change and projects do need resets. It is good to have a process, as Nick was saying,

where you can bring that all to a head, make decisions with the appropriate thought put into them and then move forward. No, we absolutely do see it as a positive thing.

Q103 **Chair:** In terms of funding, it can be the reason for a reset if there are funding challenges, as we heard, but sometimes there can be costs to doing a reset too. Is it yet inbuilt into the Treasury's DNA that sometimes you need to spend to save, effectively, and you could be throwing good money after bad if you do not reset a project? How do you evaluate that at Treasury level?

Conrad Smewing: Yes, absolutely. Those things are embedded in the way the Treasury thinks about these things. We understand the idea of throwing good money after bad and we know you need to spend more on a programme that is not operating effectively if the capability you are looking for from that programme at the end is crucial. That is often the case with these major programmes.

There are often funding consequences to these resets. They need to be dealt with at the whole departmental level and then with our contingency reserves afterwards, if there are project overruns. There is a funding process to go through and sometimes some negotiations on that. There is a realisation that the project is as the project is; it is the real world. We understand that, if we need this capability, we need to spend what is required to deliver it. That is part of how we think.

Q104 **Mr Djanogly:** I just want to take a step back and look at the understanding of when a reset is necessary. I am looking here at the written evidence provided by the Association for Project Management. In paragraph 4 of its letter, it says, "When a reset is required, it must change something. This could be culture, attitude, deliverables, benefits, finances or any number of things. Multiple NAO reports have suggested that projects have been reset without changing the underlying issues that led to the initial failure so this must be addressed in the framework". Is that something that is foremost in your mind?

Nick Smallwood: It is to me. The definition of insanity is to continue to do what you have always done and expect it to change.

Mr Djanogly: Indeed.

Chair: That sums up quite a lot of the Government we have seen over the years.

Nick Smallwood: You really need to look at root cause. A reset could be because of a cost overrun, and then you need to understand deeply why that has occurred. It could be because of changing circumstance. You heard Neil Couling describe the significant changes in circumstance around the universal credit regime. You have to be clear that the changes you make are going to affect the right outcomes. There are some good examples recently of resets where we have taken that into consideration.

The example I would give you is the emergency services mobile communications programme, where we reached the conclusion that the SRO and the programme director were not of the right skillset to deliver what is an incredibly complex programme. We did not have alignment on stakeholders; we did not have a good experience in the supply chain with Motorola. The new team has addressed those issues. We are now seeing a programme that, whilst it is still challenged, is on track to deliver. It is really important to have an honest conversation about the people and the culture as well as the technicalities of the programme or project.

Q105 **Mr Djanogly:** How easy is it to put what you have just said into protocols that are applied across Departments in the same way?

Nick Smallwood: It is quite challenging because every reset is essentially unique. Every programme is unique. You heard from the witnesses that sometimes a reset can be a good thing; it might also be iterative. That is very different to a failing programme that needs a fundamental reset. Quite often, those failing programmes will not necessarily see the issues themselves. They need independent analysis. They need that data to be brought to the table.

That is why the focus of the case conference was put on the table. We want the honest conversation. We want the SRO and the accounting officer to have a tough conversation: "What are we going to do? You have not moved it to green or amber. What is the plan?"

Q106 **Chair:** Do you think that is your job?

Nick Smallwood: That is facilitated by the IPA and the Treasury now through the response to red programme.

Q107 **Mr Djanogly:** Does it stop with the SRO or can you go beneath that? Can you go to the board, for instance? Nick, what level of contact do you have?

Nick Smallwood: Increasingly, we need to have an open mind about the overarching governance. I have had personal experience in the private sector where a project reached a reset requirement because the board did not have the necessary skills to oversee it. It was a boiling frog. They jumped out of the frying pan and into the fire; they overspent. With expertise, they realised they really needed a fundamental reset.

We have the same issues in the public sector. We need to have an honest conversation, put all the issues on the table and decide how best to move forward.

Q108 **Mr Djanogly:** You have the range of expertise within your own team to deal with these sorts of things.

Nick Smallwood: I believe we have quite extensive resource within the IPA with a whole range of expertise, but I have a whole series of review team leads outside of the IPA who we can draw on, some 1,200 people with deep expertise in various areas of project delivery. We try to make

sure that our independent assurers bring to the table the requisite skills we need for a robust review.

Q109 **Mr Djanogly:** You can get hold of these people when you need them.

Nick Smallwood: We can.

Q110 **Chair:** Are these consultants or are they experts in their field who come in?

Nick Smallwood: Typically, they are experts in their field. They may be people who have retired but who still retain an interest in delivering public service. Others come on a consultancy basis. In general, we have access to top talent for our assurance reviews.

Q111 **Mr Djanogly:** The Chair was talking about resets in terms of prioritising spending. We have an inflationary situation at the moment. What are you doing to address the impact of inflation on all these large projects?

Conrad Smewing: Inflation and higher price levels will have an impact on at least the cost schedule of projects, but it can also affect time. A lot of this inflation is driven by supply chain issues so the consequences can be complicated and different for each project.

I would make a couple of points. In terms of the forecasting of the cost of these projects, the Treasury is often involved in refreshing that. What we have not seen, right up to date at least, is the net inflation coming through across the capital programme. That is indicating that a lot of it is coming through in schedule as well as time.

The main points at which these things are going to get reassessed are either at the review point for the project, where you will reassess the costs and the benefits and take it through the approval process again, or in the next spending review period after 2024-25. When we get through these two years, we will do a full reforecast and reassessment of the capital programme. If there is a need for things to be traded off, that is when it would happen.

Q112 **Mr Djanogly:** Are there alarm bells ringing?

Conrad Smewing: As I said, if you look at the construction inflation indices, they are definitely higher than they were when we set the spending review in 2021. If you look at the overall spending on the capital programme, though, it is not higher. That is suggesting some expenditure is stretching out in time and delivery as opposed to just cost. Clearly, it is a significant issue.

Nick Smallwood: It is very different if you are looking at a project that is deep in construction and having to face the market pressures of material cost inflation and labour cost inflation. You see that manifesting on big programmes like HS2, which is in the peak of their construction, versus a project that is pre-FBC, looking forward and understanding what levers they can pull to keep costs under control.

There are a number of things they can do, not least of all make an accurate prediction, with Treasury's guidance and advice on what we should allow for inflation going forward and who carries that allowance.

We also have a lot of work going on in the IPA on what we call transforming infrastructure performance. In the built environment, we need to recognise that skills are short and inflation is here for at least the next few years. How do you improve productivity? You need to leverage all the available technologies. Digital technologies, 4D and 5D CAD models, bringing advanced work packaging to the table, robotics and offsite fabrication are all levers that can help productivity and reduce construction costs. We would expect project teams to be doing just that.

Q113 **Mr Djanogly:** You are monitoring that, are you?

Nick Smallwood: We are starting to monitor that. We are going to have a league table of Departments who are driving best practice. We are seeing some really promising results from MoJ on the prison-building programme.

Q114 **Mr Djanogly:** Do you put Departments in touch with each other?

Nick Smallwood: Yes, indeed. We have a construction forum, which is chaired by one of my directors. There is a real appetite out there to drive this forward now because it plays a part in net zero as well. If you can reduce construction costs and materials, you typically have less people traveling to construction site and you have an overall net saving.

There is a huge focus. There is great practice in DEFRA on the school-building programme, where they are really leveraging a lot of good practice, whether that is the 3D printing of concrete structures or the prefabrication of components. We are looking to do a lot of the same in the hospital programme going forward.

Q115 **Mr Djanogly:** In the previous panel it became clear that the triggers that the different Departments had varied. Do you see it as one of your roles to standardise the triggers so that people can say, "Something is going wrong"? I know every contract is different.

Nick Smallwood: The best result is if a programme team, project team or its governance body recognises the problems themselves and comes up with self-help. That would be No.1.

With the response to red programme, we have put in a robust trigger now. If the Department or the project team do not realise they need a reset, we have an opportunity to have that discussion.

Q116 **Mr Djanogly:** Finally, it seems clear from statistics that Government do not often stop programmes. In March 2022, the IPA reported that of 184 projects under way 12 months earlier, four had been stopped or closed early and only seven were replaced by other programmes. Why are so few Government programmes stopped?

Conrad Smewing: Part of the reason is that the Government do not tend to buy things that are not important for them. One way or another, there is an essential public service or there is an essential capability in the military or something else that needs to be delivered. It can often be the case that a reset, stopping and seeing what the best way of delivering this capability is is the most appropriate thing. It is less often the case that you just say, "Okay, let us just pack it in. We do not necessarily need to buy this". What is really important is that, when you are going through the process of a reset, you do consider stopping it and starting again rather than just continuing to go down the course we have been going.

It was encouraging to see in the NAO Report on this that the majority of projects did consider stopping. Probably not a high enough number had it as a clear option. It is something you should always be thinking about when a project has got into trouble, but I am not surprised that the numbers are that low.

Q117 **Mr Djanogly:** Mr Smallwood, is there a cultural issue? Is this different from the private sector? In the public sector, there are so many people involved, so many layers of management and so much buck-passing. Is there a cultural difference? Do they say, "We just have to put up with this and run with it"?

Nick Smallwood: I do not believe so. It is very much that we are delivering public services in one way, shape or form or we are delivering a value proposition we have to deliver. That can be a ministerial priority or a Government priority.

Where we have changed recently for the better is we have a very clear focus on deliverability, deliverability to the next stage gate and then the overall deliverability of the programme. Historically, with the five RAG ratings, people always tended to put projects in the middle ground. It was always somewhere in there. No one ever really put a line in the sand and said, "This is undeliverable for whatever reason".

We now have that in place. I have been pleasantly surprised that it has been well received. People say, "You are right. It is challenging. What can we do to help?" Sometimes it is a lack of resources; sometimes an unrealistic schedule has been painted, sometimes by Ministers. We can have an honest discussion now: "You cannot do what is written down now. What are we going to do about it?"

I am a firm believer that we need that honesty and integrity before FBC to try to give difficult projects the best possible chance of outcomes. They are much harder to fix if they are in flight; they are much easier to fix if you have choices. Those choices do not exclude radical rescoping and restructuring of what you might be able to deliver.

Chair: I am just thinking about the manifestos being written at the moment, whichever party is in control.

Q118 **Mrs Drummond:** I have a supplementary to that. This Committee has

raised in the past that the IPA is not sufficiently independent of the Government to challenge it confidently. Have you got to the stage where you can challenge it? Can you balance the assurance of a major programme with support for the profession at the same time?

Nick Smallwood: We absolutely can. We are practising that in terms of bringing red-rated projects and programmes to the table. In 2020, we separated out the team in the IPA that does support and advice from assurance. We have republished the assurance workbooks; we have refreshed the reviewer pool; we have now started to provide independent training to our reviewers. There is much more rigour in the assurance space than there was.

We are now also looking to strengthen the provision of advice and support. A lot of my team are going through exactly the same sort of training regimes as I expect of the rest of the profession across Government. We want to raise the overall capability in the advisory space and, equally, be independent. I get lots of support from Treasury to maintain that independence.

Q119 **Mrs Drummond:** Within that, you can share good practice by perhaps giving better frameworks and setting out where a reset has worked well. We have seen today where it has worked well and where it has not worked well. Is it your role to co-ordinate all of that?

Nick Smallwood: In the function space, yes, very much so. We have done a lot of work in the last 12 months to launch not only the Government Projects Academy for the assessment and accreditation of project professionals but also the Government Project Delivery Hub, where you can find advice on how to develop your career and the Government's project delivery framework.

There is a whole suite of tools to help project professionals, whether they are working on the delivery of infrastructure or transformation projects. We now have communities of practice for the likes of transformation, where we bring together practitioners across Government to share best practice more rapidly. We are finding that there is a strong energy to learn from one another now and try to find the best way to deliver.

There is plenty of guidance and advice out there. We are now going to take that to the next level and make it more digestible to projects by producing a body of knowledge. We are really professionalising where people can go and find the right information for the right phase of the project.

Q120 **Mrs Drummond:** You probably heard my question earlier about the non-exec directors and getting that governance right. We heard earlier about having to change the governance depending on how the project was going. Would it also be your role to help find those things?

Nick Smallwood: We need to sharpen our focus in that area, but you are right to point out that there is a right time and place. The project does change over time. There is no doubt at all about that. You need the

delivery expertise at the right phase and the operational experience at the right phase to get the right input and challenge.

Q121 **Mrs Drummond:** What is the diversity in your organisation in particular?

Nick Smallwood: I have quite a diverse team, both in terms of cognitive diversity and background. I am not just blessed with project delivery professionals. I have finance, legal and HR expertise within the team; I have policy professionals and digital professionals. I can also call on this wealth of external reviewers.

I can call on quite a broad and diverse community, and we try to ensure that the assurance review teams bring that breadth of focus.

Q122 **Mrs Drummond:** Mr Smewing, is your team diverse too?

Conrad Smewing: Yes, it is similarly diverse in terms of background. In terms of the experience and cognitive diversity you can bring to these sorts of projects, it tends to be the case that Treasury officials are a bit more on the policy official end. That is one of the reasons why the IPA and some of the other functions, like the Government Commercial Function, play a crucial role.

You do not really want Treasury policy officials pretending that they are experts in the delivery of major projects. You need to bring in people who are actually experts in the delivery of those projects. There is a diverse background in the Treasury, but it is the whole team.

Q123 **Chair:** When you say that you have a diverse background in the Treasury, how many of your team are female? How many are not white?

Conrad Smewing: On the whole public spending side of the Treasury, around 50%, or maybe even more than 50%, are female. My boss Cat Little, who would have been here if she were not doing jury service, is a female from an ethnic minority. The statistics are representative of the rest of the Treasury, which itself is pretty good across the Civil Service.

Q124 **Chair:** You have some way to go on ethnic diversity. Mr Smallwood, you talk about these experts you have to pull in. UK Government Investments also gets in some very good non-execs through its route. Are you fishing in the same pool? How do you find those experts who you want to bring into Government?

Nick Smallwood: We are close to UKGI, for sure. We are not recruiting for NEDs, typically. We are looking for advice and support in the PFI offboarding programme or for the assurance review pool. We are not exactly in the same pool, to be fair.

Q125 **Chair:** How do you find those people? Do you advertise?

Nick Smallwood: If we are recruiting, we advertise. We are now on a major recruitment campaign to bring in additional resources in order to double-down the efforts on the PFI programme. We typically bring in people with late-career expertise, who have been there and who can demonstrate that they have the track record of experience.

Q126 **Chair:** Are there any limits on what else they can do, if they are doing work for Government? Are there any restrictions on what they can do? If they are still in the later stages of their career but still working, how do you manage conflicts of interest?

Nick Smallwood: We try to ensure they are not still working if they are coming in full-time to the IPA. They would be recruited into the IPA and go through the full rigour of the vetting programme.

Q127 **Chair:** After they have stopped working for you, if they wanted to go into a job again, how do you manage that?

Nick Smallwood: They follow the same process that other civil servants would.

Q128 **Sir Geoffrey Clifton-Brown:** Good afternoon, gentlemen. Mr Smallwood, to what extent do you challenge Departments on whether a programme reset may be needed?

Nick Smallwood: That is really through the response to red programme, where we have the opportunity to have the assurance of action plan and the case conference. We have that dialogue between the advisory group in my team and the programme and project team. We get into the weeds of exactly what the issues are and what we believe needs to be done, and we document that.

Q129 **Sir Geoffrey Clifton-Brown:** What starts the process? Does the Treasury come to you and say, "We are getting demands for a huge amount of extra money on this programme"? Is it the Permanent Secretary?

Nick Smallwood: There is a variety of routes. It could be an assurance gate review, where they are coming up to a major gate.

I also challenge the team in the IPA that gives advice and support to come up with an IPA quarterly assessment. My expert advisers tell me their honest view of where they think the project team is. That can differ from a review that happened maybe six months ago. We try to have the latest and most up-to-date view and advice on a project or programme, and then we act on that.

Q130 **Sir Geoffrey Clifton-Brown:** Forgive me. I should probably know the answer to this question, but where does the power lie? You look at a project and you say, "We have big questions about this project. We have been asked by the Secretary of State to give an assurance to this project". You think a reset ought to happen, but the Department is reluctant to do that. What is the actual process that you go through there?

Nick Smallwood: It is really to raise it with the accountable person, who is the accounting officer. That is what we do. That is then shared with Ministers, if there is still an impasse and we still agree to disagree.

I have not had a single occasion where an accounting officer has not been very positive in terms of how they want to respond to the IPA finding. We have not had a particular issue there.

Q131 **Sir Geoffrey Clifton-Brown:** That is very good to hear. What do you see as the early warning signs that a project may need to be reset?

Nick Smallwood: It could be a number of things. It could be critical milestones not being met; it could be significant cost pressures that are very clearly not going to go away and be recovered later in the project; it could be that the benefits are way off track in terms of realisation; or it could be external factors. That is where inflation is a real issue for us right now.

Q132 **Sir Geoffrey Clifton-Brown:** Given the figures Mr Djanogly gave you earlier about the number of projects and the number that are actually reset, it would seem that there is a cultural resistance to projects being reset. Is there a culture that says, "If we reset this project, it is an admission that we have failed", or is that kind of blame culture not considered? Are we taking a more grown-up approach to this and thinking that resets can be beneficial?

Nick Smallwood: My sense is that we are getting that more grown-up response. Again, in response to red, 71% of projects are getting to amber or green within 12 weeks. That is not having a plan within 12 weeks; it is returning an amber or green after action review.

We are getting to a more mature place. That is not to say we will not have some major projects and programmes that think they are fine and I disagree, and we will be raising those independently.

Q133 **Sir Geoffrey Clifton-Brown:** When your assurance team comes to you and says, "We do not like to look of this project and we think it needs a reset", do you then automatically bring in your advice team to advise them on what that reset should contain?

Nick Smallwood: It is not quite as easy as you describe. We would have monthly reports; we would have advice from programme boards; we may have a recent review. We take all the inputs and try to deal with facts rather than opinion. That is where I would—

Q134 **Sir Geoffrey Clifton-Brown:** I understand that, but listening to the pre-panel earlier, these are some serial cases. I do not blame any of the panel that was sitting here, but there are some serial cases where there has been more than one reset. As you said, it is insanity to keep on doing what you have done, but surely it is also insanity if you have a reset and you still do not get it right.

My grandfather also used to say that you can make a mistake once, but if you make it more than once you are a fool. I am just wondering how this resetting process is going and whether it could be tightened up so we do not seek these multiple resets.

Nick Smallwood: I am sure we can improve, but each reset is unique and each programme is unique. There still might be occasions when you need multiple resets just as a matter of course. If the project is over a 10-year cycle, things are going to change that you cannot predict. That is very different from a broken project that needs to be fixed and reset.

It is horses for courses. It is about really getting to the dialogue about what needs to be reset and why and recognising that, if there is a long way to go in the programme over multiple years, you might have to face a future reset and have your finger on the pulse throughout.

Conrad Smewing: Just briefly on that, to your earlier point about ensuring you have a culture that sees these things as a good thing, you do not want to get into a situation where you have had one reset and then a second reset is a massive admission of failure.

The crucial point is the one that was made by the previous panel. Have you taken the time in your reset to get to the root cause of the problems rather than the symptoms? Some of the recommendations in the NAO Report were around giving people a bit more of a framework and structure for what they should be doing in a reset and how long it should take and sharing the lesson that trying to do it too quickly can mean you fall over yourself. That is what is really important.

Q135 **Sir Geoffrey Clifton-Brown:** That is an interesting reply, Mr Smallwood. If I were an SRO, knowing that the IPA was coming in to look at my project and it was not going very well, I would feel quite concerned. We have heard time and time again, both in this panel and in the previous ones, that on a reset you need to take time and consider it carefully. What are you doing to try to encourage people to take that time and consider all the options carefully?

Nick Smallwood: We do a number of things. It is not just at reset. We are trying to encourage people to set up projects correctly from the start. We have a number of project set-up tools, which are now being used on resets. We have the project/programme outcome profile tool; we have an opportunity framing tool, where we can facilitate a workshop to get a decision roadmap to go forward; we have the SRO training, which we have now implemented in a more rigorous way.

There are a number of elements that we can bring to the table—and we do now—and a reset is no different. It is a bit like starting again. You need to think through whether you have the right people. Do you need to change out a few key individuals? Those conversations, by and large, are happening, and they are happening in a constructive way.

Q136 **Sir Geoffrey Clifton-Brown:** That has brought me on to my next question very neatly, which is about people and skills. This Committee is getting an increasing crescendo of digital projects that are going wrong because the Government do not have sufficiently skilled people with digital skills to be able to scope them properly in the first place or know what to do when they are going wrong. How can the IPA help with that?

It just seems like the Government are having a problem recruiting people with sufficient digital skills.

Nick Smallwood: The IPA cannot help with digital experts. We can help with programme leads and SROs, who can drive digital programmes and projects. It is always my view that you need to have incomplete leaders; that is the best way I can describe it. You need to have people who know what they do not know and know what skills they need to deliver on their programme and fill the gaps. In digital programmes, you need to have enough knowledge, as an SRO or a programme director, to build a complete cognitive team around you to deliver.

You are right to highlight that digital skills are really in short supply. They are a risk, and we need to take that seriously. CDIO is looking at that. It is a real challenge in the marketplace to recruit those people into Government. If that is the case, you probably have to think about whether you have contract resources brought in or whether you work with delivery partners in a different way.

Q137 **Sir Geoffrey Clifton-Brown:** Even for projects that, if I can put it this way, would not at first sight appear to be digital problems—things like ESN or tagging, as we heard today—the root of the problem is digital technology. Are you seeing that more, as the IPA? You presumably have digital experts who are able to help and advise.

Nick Smallwood: We do, yes. We have a number in the IPA who do advise on some of the major projects and programmes. There are not many projects now that do not have a digital component. Whether it be in defence or infrastructure, technology is moving apace. Systems integration is an issue and will be on every road and rail project going forward. In the built environment of hospitals, again, there is more digital technology than ever before.

You need to have a knowledge of those skills and have people within your team to manage it. It is going to be a theme going forward that we have to take seriously.

Q138 **Sir Geoffrey Clifton-Brown:** Is the IPA only brought in when the project is running, as it were, or is it often brought in at the inception to advise on how to let a particular project run?

Nick Smallwood: We now get involved with the assurance gate reviews for the SOBC, OBC and FBC on the critical programmes. We carried out about 240 assurance gate reviews last year, which was more than ever, and I have capacity in the IPA to support about 100 programmes. For the 100 we support, we get deeply involved as early as we can. I am a firm believer that front-end loading is the way to avoid failure later.

Chair: This Committee has been saying that for a very long time.

Q139 **Sir Geoffrey Clifton-Brown:** Indeed, yes. When it comes to the reset, your people have looked at this and it has given them assurance, but you cannot tell them how to reset it; you can give them the advice. We were hearing a lot about the Ajax project. Do you feel the SRO—I do not want

to be critical of the individual SRO—has considered all the possible trade-offs? You heard a lot of questions on that this afternoon. Is this a one-off or do you feel like all the possibilities are not always considered in resets? If they are, are the correct judgments made?

Nick Smallwood: In the major resets I have had experience of, we have had good dialogue with the Departments. In Dr Marsh's case, we were instigators of getting Dr Marsh put on the seat and provided a full-time resource from the IPA initially to help reset that programme. We were deeply involved.

That is a theme we have tried to follow on. Rather than stand on the fence, giving advice and saying what should be done, we should lean in where we can and where we have expertise to offer and provide some dedicated short-term resource to get them up and running. We have done that in the hospitals programme and a number of other programmes, and we will continue to do so.

Q140 **Sir Geoffrey Clifton-Brown:** Unfortunately, we have seen too many MoD procurement mistakes on this Committee. A lot of it stems from the fact that all the generals and everybody else get involved and constantly change the specification. Is that something the IPA can advise on?

Nick Smallwood: It is something that we are actively working on around what I call baselines. There has been a behaviour across Government major projects to re-baseline when they felt it was appropriate. You get a different target, cost and schedule. My experience is that there is only one baseline, and that is the thing you agree at FBC, and you need a scope change to be agreed with Treasury if you want to deviate from that. We are working on this proposal with Treasury. That is how we will work going forward, to bring much more rigour to change control. You are right: a lot of people bring changes and requests that project teams are only too eager to take on board without thinking through the cost and schedule consequences.

Q141 **Sir Geoffrey Clifton-Brown:** That cultural change you are talking about is music to my ears and, I am sure, the Committee's ears. How long is it going to take to filter through to a Department like the MoD?

Nick Smallwood: I will let you consider what you would like the answer to be there: it is going to take rigour to assure. With all these things, you need to do a bit of education to help people understand the consequences of late changes. You can make as many changes as you like at SOBC—it is very easy—but when you make them post FBC they have huge cost and schedule consequences. We need to educate people on how they can act in that world and then measure it, making sure there is sufficient discipline.

It is not even the value of a change. A very minor change in cost can have a huge consequence in overall project cost and programme duration. It is really about getting a mindset of agreeing the functional specifications we want, freezing it at FBC and having the rigour around

the whole of Government to do that. We do not have that yet. We have work to do.

Q142 **Sir Geoffrey Clifton-Brown:** Mr Smewing, it seems to me that you, the Treasury, might be able to help a bit more in this. If you were a bit more rigorous in saying that you would not hand out money for projects that keep having their specifications altered beyond FBC, it would perhaps sharpen up some Departments like the MoD.

Conrad Smewing: Yes, I was going to come in on exactly that point. Formally, the Treasury approval process applies to significant changes in scope to projects in flight. They need to go back through Treasury approval, and the Treasury can in theory say no.

One of the recommendations the NAO has in its Report, with which both Nick and I agree, is that a bit more clarity around significant changes and when the resetting of a programme is such that it needs new Treasury approval would be quite helpful.

We do need to be a little bit careful. A project in flight will go through the ordinary change controls. All the SROs who were here before said, "Things will change in projects, and you need to be able to be agile in reaction to them". We do not want to get into a situation where they are constantly coming back to the Treasury for approval. It is something you have to get right, but that is something that we have very much taken from this Report.

Sir Geoffrey Clifton-Brown: You have been very helpful and very candid. Thank you both very much.

Q143 **Mr Francois:** Mr Smallwood, your annual review is a very helpful annual stocktake on major programmes. When is your next one? We are in June now. They normally come out in July. Do you have a putative publication date?

Nick Smallwood: It is the third week in July.

Q144 **Mr Francois:** You mentioned coming up with a departmental league table. Is that going to be in that next report?

Nick Smallwood: No, it will not be in that one. The league table is really going to be starting to look at how many red projects there are in a Department. We already have an SRO and project director report where I look at churn; I look at SRO time on seat. We are starting to share that in the regular forums I have across Government.

I do not know whether you are aware, but the chief project delivery officers are now identified in each Department. They have a dotted reporting line to me. We have an honest dialogue with them. They now represent the project council. We have a council of senior civil servants who can advise the IPA on what is missing in the project delivery world that I can help them with in terms of new materials or new tools.

Q145 **Mr Francois:** Just quickly, who is the chief project delivery officer in the

MoD?

Nick Smallwood: In the MoD it is Caroline Boughton.

Q146 **Mr Francois:** What job does she do?

Nick Smallwood: She reports to Charlie Pate.

Mr Francois: She works in the finance department under Charlie Pate.

Nick Smallwood: She works in the portfolio group.

Q147 **Mr Francois:** You gave us this very clear process. If something is graded red by yourselves, there is a 12-week review and a case conference. From memory, there were nine red programmes in the MoD in your report from last July. How many of those have been reset?

Nick Smallwood: I would have to check for you on the absolute numbers. It is very different if they have gone through an assurance gate review recently, in which case they will have been reviewed versus something that is red that is post FBC.

Q148 **Mr Francois:** Some of them have been red for several years, have they not?

Nick Smallwood: Yes, indeed.

Q149 **Mr Francois:** Forgive me, but that suggests that this process, in those circumstances, is not actually working.

Nick Smallwood: We are now looking at what we call persistent reds. We have just started to look at those. If there is a programme or project that has been red for three or four quarters, why is that? Can we do anything about it? There will be some where there is an unrealistic schedule somewhere and we just cannot do anything about it. If we can reset, if we can revisit the delivery, we will do.

Q150 **Mr Francois:** We will come to Treasury in a second, but you said at one point—I am not trying to play games with words—“Sometimes you have to start again”. Particularly with MoD programmes, very often there are complex contracts that mean you cannot really go back to square one because you are legally on the hook in a big way. When you change that contract, experience shows that very often the taxpayer loses.

One of the reasons for that is the big defence contractors, of whom there are only a few—it is an oligopolistic market—have extremely experienced contract lawyers who know every trick in the book. Some would say that the MoD’s contract lawyers are not quite playing in the same league. Do we have a skills deficit in terms of our legal ability to change contracts vis-à-vis the big contractors we are trying to do it with?

Nick Smallwood: The environment you are describing in the military is correct. There are some complex contracts and it is a very small marketplace. I cannot comment on the particular skills of the legal group in the MoD. In that space, the environment in which you are working in means it is really challenging to change once you have gone into the

execute phase and placed the contracts. We have to get that right before we go to market.

Q151 **Mr Francois:** Without wishing to focus purely on this, Ajax has had three resets; it is eight years late; billions have been spent so far with nothing to show for it. If you are going to change a contract on something like that, you have got a problem with Civil Service pay scales, but it is worth going to a magic circle law firm and paying them a few million quid to get some really good lawyers to make sure the contract is watertight, if it then saves you several billion pounds down the road. There is merit in that, is there not?

Nick Smallwood: There is always merit in looking at all the options you have for a reset, which should absolutely include the contract and the contract reset.

Mr Francois: Turning to the Treasury just quickly, it is not exactly a secret to say that the Treasury has sometimes been frustrated with big MoD capital programmes that go wrong. How does the Treasury see that we should reform procurement? The MoD is a bit like the Department for Groundhog Day.

Chair: We are talking mainly about resets. Let us just remember that.

Q152 **Mr Francois:** From the Treasury's point of view, how should this be done better?

Conrad Smewing: It is a big topic, as you are saying. Lots of the things that we have been talking about in terms of individual projects—that includes being clear about the scope up front, being clear about the capabilities you want to buy upfront and minimising change—apply across the board in MoD. If the MoD were here, I am sure they would recognise that those things are important too.

As far as the broader changes to how the MoD does its procurement, that is a very big and difficult issue. The skills point you make is an important one. I am sure they would recognise that. Getting the right people in at the right time is important.

Chair: I can sense where you are going, Mr Francois, but we could open up the whole of procurement, which this Committee has looked at endlessly.

Q153 **Mr Francois:** I have one last one to the Treasury on resets, and then I will hand back to you. Where you have had a reset like Ajax, how tight is the Treasury's control? We heard this afternoon that they have effectively had to reset the project three times now. To what degree is the Treasury getting in there, when there is a reset, to make sure, ideally, that is it?

Conrad Smewing: As Nick was saying before, on the recent reset of Ajax, the Treasury is right in there alongside the IPA both on the assurance reviews and these case conferences. It is also often the case that the Treasury has been involved in programme boards, not necessarily in the MoD but in other Departments.

There is a lot of involvement in what the reset comes out with. As I say, in the formal process, it is often the case that these resets need reapproval from the Chief Secretary. There is that lever as well, if the Treasury is not satisfied.

Q154 **Mr Francois:** Lastly, to both of you, with the MoD, if something comes in five years late, it is not just a financial issue; it could be that militarily we are at risk because we have a very old tank that cannot compete with a Russian or a Chinese variant. What expertise do you have in the Treasury and in the IPA for assessing those sorts of risks as well? Do you just say, "That is something we are not competent to judge on"?

Nick Smallwood: No, we have expertise in terms of project and programme scheduling. We are doing work right now with the MoD on a number of their nationally significant projects. The trick is to get it right from the get-go. It is to have a realistic deliverable schedule. Sometimes I see people put what I can only describe as pictures of what they would like the duration to be rather than doing the hard maths to work out how long something will take.

Q155 **Mr Francois:** I do not just mean the schedule. Do you have the capability to assess the operational risk consequences of a programme being late?

Nick Smallwood: No, I would have to say that, for the military, that is not an area where we would look into the operational phase.

Q156 **Mr Francois:** What about the Treasury?

Conrad Smewing: The Treasury spending team that covers the Ministry of Defence does have experience of this stuff and talks to the MoD all the time, but I would say the primary skill and experience here is in the MoD and in the military. The Treasury can ask intelligent questions, but we are not going to be able to come up with those sorts of assessments on our own.

Q157 **Chair:** Mr Smallwood, we have talked a lot about resets that you have identified or the IPA has identified. What about the ones that have been reset in Departments? They have perhaps not hit red so they are not on your main list. What sight do you have of those resets?

Nick Smallwood: If they are not a major Government project and a priority project, one of the 100, I would not necessarily see it.

Conrad Smewing: The Treasury would see some projects that are underneath delegated limits or not on the list of major programme because spending teams often get involved and sometimes sit on their boards. The ones that are the biggest and most important, where we would want to spend almost all of our time, are on the GMPP.

Q158 **Chair:** Do you have any curiosity about trying to capture that data or information about projects that are reset that are not necessarily problematic resets, the ones that may be going quite well, for the lessons to be learned? Is that something the Treasury might consider doing?

Conrad Smewing: There are a couple of sources of data that we do look at that would pick up those kinds of projects. Those include the regular contact between the spending team and the finance department in a Department, which would have much more visibility of those kinds of projects.

Q159 **Chair:** Where does that get fed up to, though?

Conrad Smewing: The financial forecasting gets fed up through the spending team. If there are overruns on projects that are under the GMPP, that will often come through in the reporting of the finance. Then there is performance reporting, which is the other angle, where the performance of these things comes through against outcomes or outputs.

Q160 **Chair:** Who would be responsible? It is not Mr Smallwood; it is going to be too small for the IPA. If someone has done a really brilliant reset that has gone very well, if they have turned around something that would have been a problem and made sure it is not a problem—and perhaps it is even on budget and all the rest of it—who is going to see that success? Who is going to get the learning from that?

Conrad Smewing: It will be the accounting officer in the Department and the SRO. I expect the spending team would hear about it. If it was a really good example, there are very good links between the spending teams and the IPA. It is the sort of thing that would get passed on as part of the IPA's work on sharing lessons and getting SROs together.

Q161 **Chair:** Earlier we talked a bit about promotions in the Civil Service. I remember years ago—this was a long time ago now when I was a Minister, which is aeons ago—there was somebody who delivered two projects in the Home Office under budget and ahead of time. I said, "This is fantastic. Hopefully you are picking up the lessons. What is your next one?" and they said, "I have to move jobs to get a promotion". Do you have any bite in Whitehall, Mr Smallwood? Are you knocking on anyone's door to say, "Just moving people on in the normal two or three-year rotation is not really going to deliver in the area you are looking at"?

Nick Smallwood: Yes, I do, through contact with the chief project delivery officers, sharing the churn data and having honest discussions. We also now have pivotal role allowances and ministerial support. I can administer those, given certain criteria, one of which is agreeing a milestone at which the SRO has to stay on seat. We have that lever.

To Neil Couling's point, having continuity on some of these critical programmes is essential, but you cannot necessarily expect someone to stay on seat for 10 years. It is about having a realistic balance. We are tracking the churn. It is coming down quite dramatically.

Q162 **Chair:** What sort of scale of extra payment can you effectively authorise? That is quite a lot of power for the IPA, in that sense.

Nick Smallwood: It varies, but it is a monetary sum that we typically link to milestones against the major project or programme.

Q163 **Chair:** Does that equate to the normal increase in the scale as part of a promotion round?

Nick Smallwood: It does not quite, but it goes a long way.

Q164 **Chair:** Mr Smewing, in terms of Whitehall more generally, that is money, but it is money well spent if it delivers the results. Does the Treasury have any input into that or is it something you leave to the IPA and Departments?

Conrad Smewing: We absolutely do in the design of pivotal role allowances. The pay scale for a function is also something that the Cabinet Office and the Treasury look at. We talked about digital earlier. Thinking about the pay scales for people with those sorts of skills in Government is something where the Treasury would look at the case for adjusting the pay scale or the size of the pivotal role allowance.

Q165 **Chair:** There is a limit on not paying people more than the Prime Minister. That is presumably a problem.

Conrad Smewing: There is a process of checking and approvals for people with particularly high salaries, but those salaries do get approved.

Chair: It just takes a bit more rigour.

Conrad Smewing: Yes.

Q166 **Chair:** Finally from me, Mr Smewing, the IPA used to be the MPA. The Major Projects Authority became the Infrastructure and Projects Authority. We have talked a lot about projects today. It seems like you have quite a good grip on some of these issues around resets, but do you find that you are facing both ways? You are also trying to deal with the infrastructure programmes in Government.

When the bodies were merged and you became the IPA, we were worried that you would lose focus on the projects. Are there any disadvantages to being one body, or indeed are there any advantages?

Nick Smallwood: There are significant advantages. The former Infrastructure UK organisation, which included the finance advisory team, now sits in my team. They are complementary. If you are setting up major projects and programmes like Sizewell, my team are actively involved with the Treasury in developing the RAB model and how we are going to finance and fund that project.

We can also take a view on governance and work with UKGI. In addition, within the former IUK team, I have a lot of experienced individuals who have worked in the private sector, whether it is running a port or running a railway. They are part of my advisory and assurance team. They can be brought to help on these challenging projects and programmes. There are more advantages. I cannot really think of any disadvantages.

Q167 **Sir Geoffrey Clifton-Brown:** You have had huge experience, Mr Smallwood—we are very lucky to have you running the IPA—in Shell in the private sector. We have talked a lot today about the need to reset

because things have changed due to the length of time, if something has gone on for 10 years. We have talked about very good SROs. This Committee has come across projects where, frankly, the problem is not any of those; it is that the project is just not being very well managed.

I am not quite sure where that sits. The SRO might have talked to his Permanent Secretary; maybe he has not. Maybe he has talked to his director; maybe he has not. Who should be taking responsibility for that before it gets to the accounting officer level? Maybe the external director boards ought to be looking at these projects. In your experience of looking at projects where they are going wrong, where is it going wrong? Who is not doing what they should be doing?

Nick Smallwood: For me, the set-up is key. That is why we have invested so much time in developing the project set-up tools and the route map. The accountable person starts with the SRO and in having competent SROs who can get the right programme and project directors in seat at the right time.

You need SROs who really do not try to pretend they can do the project director roles themselves. They are different and complementary roles. The SRO is accountable for defining the business case and getting stakeholders aligned. When you get into detailing out the scope, that is really for the programme or project director to do. Sometimes we have a gap where one party or the other has not got the requisite skills to do the right amount of work in the right timeframe.

By their very nature, these are challenging and difficult projects. We need to spend that front-end loading time with the complementary skills, not trying to muddle through with resource gaps in our critical programmes. If they are not ready, we need to say so. The response to red programme is my attempt to say, "We are going to be more rigorous at looking at whether you have a robust schedule, a stakeholder alignment plan, an execution strategy and a robust cost estimate. If not, we are going to call it out".

Q168 **Sir Geoffrey Clifton-Brown:** That is very helpful. You did not address the role of external directors within Departments. They are the people who can sit back and look at governance issues, the sorts of issues Mr Francois was asking about, skills and that sort of thing. Do Departments have the right skills in terms of external directors or should they look at that carefully as well?

Nick Smallwood: That is an area we should explore on the basis of the NAO Report. We should look at how we could strengthen the focus in that area. Some teams have really robust investment committees now, which are doing a bit of scrutiny. I am not so close to the external director community.

Q169 **Chair:** Finally from me, to both of you, what will you do differently as a result of the work the NAO has done and these discussions that have been had about resets? Is anything going to change?

Nick Smallwood: For me, it is about formalising the guidance on how to best reset a project. If you look at the note from the NAO, page 20 contains much of the things you should be doing at the start of the programme when you are setting it up in the first place. We can really reinforce what a good reset looks like.

Conrad Smewing: Yes, exactly that. The NAO has very helpfully pointed to a bit of our guidance on business cases where we could be clearer. That can help everyone to understand what they should be doing and when. That is what we will be taking on.

Chair: This will not be the last stab we have at this issue.

Conrad Smewing: No, I am sure it will not.

Chair: We will pick it up with every Department that comes through. Thank you very much indeed for your time. The transcript of this and the previous session will be up on the website uncorrected in the next couple of days. Thank you again to our colleagues at Hansard for that. We will be producing a report before the summer recess, we hope. Thank you very much.