



Public Administration and Constitutional Affairs Committee

Oral evidence: [The work of the Cabinet Office, HC 607](#)

Tuesday 27 February 2024

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Members present: Mr William Wragg (Chair); Ronnie Cowan; Mr David Jones; John McDonnell; Damien Moore; Tom Randall; Lloyd Russell-Moyle; John Stevenson.

Questions 455-509

Witnesses

I: Sir Alex Chisholm, Permanent Secretary, Cabinet Office; Sarah Harrison, Chief Operating Officer, Cabinet Office; and Richard Hornby, Chief Financial Officer, Cabinet Office.

Examination of witnesses

Witnesses: Sir Alex Chisholm, Sarah Harrison and Richard Hornby.

Chair: Welcome to the Public Administration and Constitutional Affairs Committee. Today, the Committee is holding a session on the work of the Cabinet Office, and we are joined by the Cabinet Office's permanent secretary, Sir Alex Chisholm, as well as its chief operating officer and chief financial officer. We will be covering matters including the Cabinet Office's expenditure and administration, and examining issues such as civil service pay, staff turnover and Cabinet Office spending generally. We also hope to explore Sir Alex's reflections from his time at the Cabinet Office, ahead of his departure from the role. Good morning to you all. Could you please introduce yourselves for the record?

Sir Alex Chisholm: Thank you. It is good to see you all again. I am the permanent secretary at the Cabinet Office and civil service chief operating officer.

Sarah Harrison: Hello. I am chief operating officer of the Cabinet Office.

Richard Hornby: Good morning, Chair and Committee. I am chief financial officer of the Cabinet Office.



Q455 **Chair:** Sir Alex, this is almost certainly, you will be relieved to know, your last appearance at this Committee before you move on from the Cabinet Office. I want to give you the opportunity to reflect on your time in the role. What have been your biggest frustrations and what would you say that you are most proud of?

Sir Alex Chisholm: Thank you, Chair. It is nice to have the opportunity to appear in front of the Committee, and thank you for that first question. I think I joined in April 2020. The most striking thing about that is that we were already in a lockdown situation and the pandemic was all around us. That is very different, obviously, to the context I had imagined when I first thought of joining the Cabinet Office. It has been quite a tumultuous period.

When I look back on it, the thing that I am most proud of is, first of all, the people in the Cabinet Office. Working in this time of extensive change and pressure—from EU exit to covid, to Russia’s invasion of Ukraine, handling exceptional events such as COP26, the G7 summit, the funeral, the coronation, all these pressures—all these events were brilliantly handled by colleagues in the Cabinet Office. I am delighted to have the chance to recognise and thank them for that service.

In my other role as civil service chief operating officer, the things that I think will make the longest or the biggest difference over time are, first of all, the improvements in the performance of the whole Government system in relation to digital, where we have done a lot of remediating of legacy systems, and a lot of investment in data and the capabilities of our own people in digital skills.

I am pleased that we launched the Public Sector Fraud Authority, which has been very effective in detecting and helping to eliminate fraud and error. I am delighted by the success—which I know that PACAC has been very interested in as well, from your visit to our second headquarters in Glasgow—of our ability as a civil service to be UK-wide, to be very visible, effective and serving communities across the whole of the UK.

Q456 **Chair:** You mentioned your role as civil service chief operating officer. Do you think that is a role that is sufficiently empowered to effect change across Departments?

Sir Alex Chisholm: Yes, I think so. It is always interesting the difference between power in the sense of hard power, levers and controls, versus, if you like, influence that can come from persuasion and expertise. We try to use a mix of those two. There are firm levers and controls. We have hard controls, as you know, on things like procurement, property and digital standards. Major projects have to go through lots of stages of assessment and approval to get support. However, a lot of the good we do does not just come from a hard control—“You cannot do it”—or setting conditions. It also comes from giving people access to fantastic expertise.



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We now have 150,000 people across the civil service who are members of one of the professional functions. That is an incredible amount of expertise. Nearly all that is, of course, in Departments; only about 4,000 of those are in the Cabinet Office, but we preside over that functional system. That has helped to bring a lot of efficiency and delivery to the Government effort.

Q457 **Chair:** What are your thoughts on Lord Maude's recommendation for an externally recruited civil service head, if I can describe it as that, with perhaps greater authority to implement reform?

Sir Alex Chisholm: I am strongly in favour of open and fair competition. It is the standard that we have practised in the civil service for a very long time. I have myself always gone through those processes for the various roles that I have held. Probably more than ever today it is a benefit because Government work is important work, it is challenging work, and we need access to the very best talent that the whole economy can give. Some of that will be, if you like, grown within the civil service, and some will come from the private sector, from local government and from the third sector.

The Committee might be interested to know that we have done an analysis now of the backgrounds of the top roughly 240 people in the central Government system. Permanent secretaries and directors general appear in front of Committees regularly. I think that 45% of those have either come directly from outside, or join the senior civil service from outside, and then have been promoted internally. There is quite a lot of diversity of experience and background; I think that has been a real source of strength.

That said, whether that is the most important consideration for the very top job, the Cabinet Secretary, head of the civil service, you definitely would need to have a very good understanding of the working of the machinery of Government to do that job very well. You need to be very good, I think, at winning and holding the trust of political leaders, which is a rather critical part of that role. It will not be for me to decide in any future competition, but overall open and fair competition is good. Whether it is ideal for that role is not for me to decide; it would be for the Prime Minister.

Q458 **Chair:** If you will forgive my ignorance regarding the successor to you and your role, could you describe their background? I believe they have been recruited.

Sir Alex Chisholm: Yes, indeed. I said that when I applied back in early 2020 there was a competition for that process. That was also true when I announced in November that I would be concluding my four-year term. Very shortly, the Government announced an open competition for that. We had applicants from outside and internally who went through a whole load of the usual assessments and panel interviews and what have you. The panel made a recommendation to the Prime Minister for who should



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take that role on, and that was accepted by the Prime Minister, who has agreed to the appointment of Cat Little, who is currently second permanent secretary at the Treasury.

As regards her background within Government, before she was in the Treasury as second permanent secretary, she was director general public spending. Before that, she was in the Ministry of Defence in a senior financial role and in the Ministry of Justice in a top role there. She has quite a lot of experience within the Government system, but like me and both my colleagues here, she had worked outside the civil service. She had been a qualified accountant with one of the major firms there and did work with them as well. I am obviously delighted with her appointment. She will be a fantastic successor and I am very pleased to be handing the baton over to her.

Q459 Chair: We look forward to welcoming her before this Committee in due course. A blunt question: is the Cabinet Office an effective centre of Government?

Sir Alex Chisholm: I would say yes. In my time it has been effective, but it depends on the assessment of the Ministers we serve and the public we serve more than those of us who are in the midst of it. I have felt that, given the particular circumstances that we have faced, we have dealt well with the multiple challenges that I described at the beginning around EU exit, covid and the geostrategic era with war in Europe. We have pushed forward with the hard work of grinding out efficiency. We have doubled down on the functional agenda. As you probably saw, we just announced £4 billion in audited savings and much more in unaudited savings. That is direct savings, of which I think over £3 billion was cashable. That has been a terrific achievement.

The ability of the Cabinet Office to flex—to move where the need is most—is very striking. When I arrived, we were just in the process of absorbing what had been a separate Department: the Department for Exiting the European Union was being absorbed into the Cabinet Office. We then very quickly went through the gears and I think six weeks after I started we set up the covid taskforce, which grew to about 380 people more or less from scratch, over the next few weeks. We have had to be extremely flexible at dealing with different challenges that come from being at the nerve centre of Government and of being effectively HQ for Government.

Q460 Chair: In that respect, I will push you slightly more. I realise the position you are currently occupying and that there may be some hesitancy in providing as candid an answer as you might wish, but what are the faults and failings of the Cabinet Office?

Sir Alex Chisholm: I think that our harshest critics would probably say that we try—

Chair: What about you? You have been there at the top of it for that time



and I would like to give you the opportunity. I do not want you to dish dirt and so forth—that is not the point—but wish to get a critical reflection from you about where you see its challenges.

Sir Alex Chisholm: Thank you, and I would not do that; you are right. I would say that we try to do probably too many things. If you look at the span of the Cabinet Office, we have around 40 different business units. We have people working in the Cabinet Office who are experts in property development, people who are doing huge procurements, with a great commercial background, people who are constitutional experts, people who are working on the Office for Veterans' Affairs. Wherever you look across the Cabinet Office you see terrific heterogeneity, which means that as a Department it can be quite difficult to manage, sometimes to work in and to have a strong identity, because we are trying to do so many things. If you try to do so many things, it is difficult to be sure you are doing everything to the best possible standard.

Q461 **Chair:** You highlight a few things there. Would those functions not be better off in other Departments? Is it a sense that the Prime Minister of the day's particular fancies drive how big the Cabinet Office becomes, or is it because it can be best managed by the Cabinet Office?

Sir Alex Chisholm: It is a mixture of prime ministerial priorities, the circumstances you find yourselves in and that efficiency argument. Taking each of those in turn, if you go back to the Cameron era, it was at that time when the decision to set up a National Security Council was taken, and the national security secretariat was centred within the Cabinet Office. Some of those responsibilities had previously been done in what was then the Foreign Office and the Ministry of Defence, so that was an example of prime ministerial preference.

It is circumstances much bigger than fancies, I would say. It was not fancy that caused us to set up the covid taskforce; it was need and driven by external circumstances. We have made a huge effort to try to deal with the consequences of Russia's invasion of Ukraine, from both a point of view of helping Ukraine and the knock-on effects on energy, cost of living and so on. Those are very much driven by circumstance.

There is clearly a strong argument for trying to consolidate in one place services that previously were done 24 times over in different Whitehall Departments, or in some cases used to be done across 300 or 400 public bodies and are now done once well. Having a Government Recruitment Service that does 70% of the recruitment for the whole of the civil service, and having one place that is a kernel of expertise for property, commercial services and digital services, makes a huge argument. It will be a matter of the taste of a future Prime Minister, or this Prime Minister, and a future leader of the Cabinet Office, whether all that needs to be done in the Cabinet Office itself.

Q462 **Chair:** What are your thoughts on the splitting of the secretariat and corporate functions into different Departments? What is your view



generally on that?

Sir Alex Chisholm: Bringing them together in one place has a number of benefits to it, particularly allowing the deep expertise that is within the functions to be brought to bear to shape policy, and to ensure that it is well delivered, as well as making sure that that large and important work of the functions that are subject to proper political direction is well aligned.

The disbenefit is in trying to do all those things in a single entity—there are about 10,000 people in the Cabinet Office, and probably around about 6,000 of those are working in those functional areas. The similarity between what they do and some of what happens in the secretariat side is less. As I mentioned, there are costs, both internal transactional costs and external identity and reputation costs, for trying to do all the things in one place.

Q463 **Chair:** Thank you for that. Just before we move on to one of my colleagues, I have a question about your time when you were joint permanent secretary at BEIS. It is a very direct question, and topical. Did you sign off the nomination for a CBE for Paula Vennells?

Sir Alex Chisholm: Certainly, that recommendation would have come through my Department at that time, no question. I did not recall the discussion at the economy and honours committee, and when I asked the secretariat they said it was because I was not there. I missed that particular meeting and I cannot help the Committee with understanding that final process.

Q464 **Chair:** As permanent secretary, did you or did you not put her name forward?

Sir Alex Chisholm: Not a personal recommendation, but undoubtedly the Post Office Ltd, as a body under BEIS, would have come forward with a recommendation of the sponsoring Department.

Q465 **Chair:** But you never saw that name or cannot recall seeing that name when it went forward.

Sir Alex Chisholm: It would have been on a large list of names and undoubtedly would have come across my desk at that time.

Q466 **John Stevenson:** Sir Alex, the Cabinet Secretary took a leave of absence between October and January, and no temporary Cabinet Secretary was appointed. How was his absence covered and what impact did it have on you?

Sir Alex Chisholm: Thank you very much for the question. First of all, it was a collective effort to try to ensure that during that period of mercifully brief absence—he is back with us now and has been since January—we were able to lean in and share out the responsibilities as best we could. Arrangements were put in place with the agreement of Ministers at the time. For example, attending Cabinet and being the lead



person there to record the discussion was done by the director general for economic and domestic affairs secretariat. For some of the appointment responsibilities, the chair of the senior leadership committee put in an extra effort there. I chaired a lot of the permanent secretary meetings at that time in his absence. We shared it out in that way.

Q467 **John Stevenson:** Who was head of the civil service then during that period?

Sir Alex Chisholm: There was no replacement head of the civil service appointed. We shared out the responsibilities, and those arrangements worked very effectively during that time.

John Stevenson: You never stepped into his shoes?

Sir Alex Chisholm: As I say, a number of people took on different responsibilities. There was no single replacement.

Q468 **John Stevenson:** With regard to non-executive directors in the various Departments, do they have any value?

Sir Alex Chisholm: I personally am a strong believer—as I know this Committee is—in the value that non-executive directors bring. In all the Departments that I have worked in, and indeed when I was in the Competition and Markets Authority before, we have had a board. All those boards have been different, but in all the cases I think the work of the board in trying to provide good challenge and support to the executive has been invaluable. I appreciate the different experience and attitude that non-executive directors bring—usually for very small financial rewards—as part of their public service. That has been a real strengthening of the system in central Government and I know that it is important in many public bodies as well.

Q469 **John Stevenson:** You will be aware of our report and our criticisms—the lack of transparency and personal connections. What do you make of those?

Sir Alex Chisholm: I did read your report and other ones that have been written by people relevant to this Committee or the Committee on Standards in Public Life. We have an NAO report now and there is a PAC hearing next month on it.

The Government have agreed with a number of your recommendations. Most importantly, I think, the appointment of non-executive directors to boards is now a regulated process, as the Committee recommended, and is subject to the oversight of the Commissioner for Public Appointments. We are doing recruitment now for the chair of our COAR committee. Again, that is a regulated process. That has moved from your recommendation to being accepted and adopted by the Government. You also recommended enhanced transparency, and we have made some changes to the corporate governance code to try to address that.



On the issue of managing conflicts, the conflicts are declared. That is a requirement of people both in the application process and for public bodies in the way they report in the work of their boards. There is probably even further we can go in that regard. As you will have seen from the report by the Commissioner for Public Appointments at the end of December 2023, there is a very high level of transparency about those appointments, the process by which people are appointed, who the members of the board are, what their backgrounds are, what qualified them, and any external interests. Public bodies as a whole are good at recording any mitigations that they need to take to deal with any conflicts that arise.

Q470 **John Stevenson:** You say they bring great benefit to the Department, but recruitment seems to take forever, as has been demonstrated by the report, and nine of 19 Departments have had fewer than four meetings in a year. It does not demonstrate a great deal of activity by those boards, does it?

Sir Alex Chisholm: I think the recommendation is to have at least six and Departments should be meeting that. We certainly have more than that. We just came back from a day and a half in Glasgow with our board just last week. You can see that we have more than six meetings a year.

John Stevenson: Other Departments are clearly failing.

Sir Alex Chisholm: The Departments do vary. They reflect a little bit not only the responsibilities of the Departments but the preferences and choices of the leadership of those Departments. If the Committee is saying that all Departments should hit the standard of six, I would have to agree with that.

Q471 **Mr David Jones:** Sir Alex, I would like to ask you about the 2023 people survey. Is it the case that the results of the survey were circulated to Cabinet Office staff in December? They have not been published yet.

Sir Alex Chisholm: That is the case, yes.

Q472 **Mr David Jones:** As you know, this Committee recommended that they should be published in the year to which they relate. Is there any particular reason why they have not been published yet?

Sir Alex Chisholm: Just to recall, in case other people might not remember all the circumstances, it is exactly right that the Committee recommended that we should treat the people survey as an official statistic and have it published at the same time as it is made available to staff. Without wishing to re-prosecute it, you may remember that my view before the Committee, which is the Government's view, was that it is better to share it first with staff prior to publication, and that rather than an official statistic it is a piece of management information, which we do publish because we recognise there is a public interest in it. Its prime purpose is to help us to manage the organisations that we lead. That remains the case.



I think the Committee said that to have a considerable gap between when it is made available to staff and when it is available to Parliament and the wider public is—you would like to have that gap as short as possible, and we took that very seriously. I cannot yet confirm the exact date but I think it will be published very shortly. That is partly in consideration of the Committee's view that that gap should be as short as possible.

Q473 Mr David Jones: Could you give us a flavour of what the results of the survey say in respect of the Cabinet Office?

Sir Alex Chisholm: Yes, I can. First of all, you will remember when I was before the Committee in January of last year we were reflecting on what had been quite a poor set of results the year before, relative to other Departments and the Cabinet Office's own past. It had been a year of exceptional change. There was also a lot of concern about pay, as you remember, in the context of cost of living pressures.

I am delighted to share with the Committee this morning that we had the biggest improvement of any Department in the most recent results and had a substantial improvement in our engagement scores against all different themes. I am particularly delighted that the number of people who would recommend the Cabinet Office as a great place to work increased by 10 percentage points. We were also the biggest improving Department in terms of our leadership and managing change.

I think that is evidence of what I said to you before the Committee last year, which is that we took very seriously the people survey results. We went into a big process of saying, "What can we do to make the Department work better for the people who work there?" and put together a programme that we call "A Better Cabinet Office", with apologies for the slight corniness of the title. That has clearly been very effective in improving our engagement and morale within the Department, which I am very proud of.

Q474 Mr David Jones: Have the results improved in all areas, or have they worsened in some?

Sir Alex Chisholm: I think they are up on all themes. There are an awful lot of questions in the people survey and there might be one or two that have gone minus one, but overall we are substantially ahead. On all the nine themes of the people survey we are ahead. We are pleased by that.

Q475 Mr David Jones: You say you will publish shortly.

Sir Alex Chisholm: Yes.

Mr David Jones: Before the end of next month?

Sir Alex Chisholm: More shortly than that, I am hoping.

Mr David Jones: By the end of this month?



Sir Alex Chisholm: I cannot confirm the precise date yet because it is outside my control, but I want to emphasise again that we do recognise what the Committee said and the weight of what you said—"Publish as soon as possible after you share it with staff."

Q476 **Mr David Jones:** Your annual report identified a performance risk relating to the recruitment and retention of staff. Given the results that you have just outlined briefly, is that still a concern?

Sir Alex Chisholm: It is always a concern because we want to be able to recruit the very best people we possibly can and hold on to them for as long as possible. We are quite relaxed about a model where people come into the Cabinet Office for a tour of duty, bringing particular expertise from a Department or public body, and then roll off back to that Department or to another area. What we are not relaxed about is people who are at the peak of their skills and employability going off to work elsewhere because they cannot hack it, because they are not happy with their work, because they feel their skills have not been used or recognised, or because their reward has been so out of line with what they can achieve elsewhere. That is the area of concern.

Mr David Jones: Morale, in other words.

Sir Alex Chisholm: Morale is certainly an issue. When I talk to people—we do a lot of careful exit interviews and a lot of analysis of that—and people are leaving because they have been promoted or because they feel they have achieved what they want in the Cabinet Office and they are going back to work in the Home Office, I would say that is fine. If it is because they feel frustrated that they could not work in the way that they wanted to work, it was burdensome, they did not have a good team that they were part of or they could double their pay by working elsewhere, even in the public sector, those things I take more seriously because that feels like a talent loss that we would like to avoid.

Q477 **Mr David Jones:** Does it remain a concern to you that morale could impact upon recruitment and retention, or do you think, in light of the survey, that that is less likely?

Sir Alex Chisholm: I think the big improvements in the survey are indicative that we have a happier workforce and a place that people would be even more keen to work in, but we are not complacent about that. We recognise that a lot of people in the Cabinet Office are under terrific strain. I have members of staff who rolled off from EU exit work to covid to dealing with the consequences of Russia's invasion of Ukraine. That has been pretty relentless. There are people there who have been under great pressure and strain. I am also conscious that a lot of people have been bearing the cost of living, and particularly for our less well-paid staff that is a very major consideration. Both the burden and pressure of work and the competitiveness of pay we remain very focused on.



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In our second year of “A Better Cabinet Office”—because we will continue in this calendar year—as well as the themes we had before we are adding a new one around operational effectiveness, which is to try to simplify the way of working to reduce the on-costs of work, the admin and the bureaucracy. People obviously want to serve Ministers, they want to serve the public and they want to do that in as light and easy a way as possible. We will try to have a real push on that, to try to help from a retention perspective.

Just as an aside, I know the Committee joined us when we were up in Glasgow, at that debate we had in the University of Glasgow. I have been twice before the student bodies in not just University of Glasgow but the University of Strathclyde as part of our effort to try to raise our profile in Scotland, and Glasgow specifically, and attract people into the civil service. After each of these events people have formed a big queue to say, “How do we join? This sounds so interesting and so worthwhile, and you work on such important stuff.” The mission of the Cabinet Office, right at the centre of Government, trying to deal with all the incoming situations and deliver the priorities of the Government of the day, is exciting work that people do think is interesting and worth while being part of, and I do recognise that myself.

Mr David Jones: We look forward to seeing the results of the survey within the timescale you have just indicated. Thank you.

Q478 **Damien Moore:** Good morning, Sir Alex. In the Committee’s report on the civil service people survey, it recommended that the Cabinet Office publish further detail on its progress in delivering the “A Better Cabinet Office” programme. Previously, some of the evaluation has been vague. Given that, can you give us some more detail? Would you say that the first phase of the “A Better Cabinet Office” programme has achieved what you would have hoped?

Sir Alex Chisholm: Yes. Just to give a little bit of variety to the hearing, perhaps I can invite my colleague Sarah Harrison, chief operating officer, Cabinet Office, to come in on that question.

Sarah Harrison: Thank you. The first phase is completed. The people survey results that have just been referenced, which will be published very shortly, will not only show improvement across all the key themes that go to making up the overall engagement score for the people survey, but will also show progress in relation to delivery of the first phase of the “A Better Cabinet Office” programme.

There are a couple of examples I might pick out, if I may. First is the progress in relation to leadership and managing change. Leadership was one of the important themes of our six in the first phase of our “A Better Cabinet Office” programme. Another example is learning and development. It is very important for this Department to invest in our skills and capabilities. Alex has referenced the heterogeneity of the work of the Department, and it is vital that we get our learning and



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development programme right and tailored to our colleagues. Over the course of last year, we have seen something like 7,500 different colleagues engaging in around 250 different events. In addition to that will be the series of professional developments that colleagues will have pursued. In our learning and development theme in "A Better Cabinet Office", you will see improvement in our people survey engagement in learning and development.

Given the reference to morale, I will also draw out the importance of the increase in the people survey in staff reporting that the Cabinet Office is a great place to work and, indeed, a place to develop career progression. Perhaps as we move into the second phase of the "A Better Cabinet Office" programme—year 2—another theme you will see in the results is the confidence with which staff see action having been taken about the 2022 people survey results, even more confidence that action will be taken about the 2023 people survey results, and that those results from 2023 are feeding directly into the second phase of our "A Better Cabinet Office" programme. We have the pleasure of joining our staff at an in-person and hybrid event tomorrow, hosted in London, York and Glasgow, to set out the next phase of the "A Better Cabinet Office" programme.

Q479 **Damien Moore:** Can you provide more detail about your plans for the second phase and when you expect to implement them?

Sarah Harrison: Yes. We have not waited to make progress on shaping the programme. As you referenced, the people survey results were shared with staff in December and we have used the period between December and tomorrow's presentation of our plan to build those themes. They are the six themes that were a feature of the first year of the work—leadership, purpose and values, workplace and technology, respect, pay, of course, and progression. Those were the key themes for the first year. We have maintained those six themes and added two—Alex referenced organisational effectiveness.

Perhaps more specifically, if I could just draw out some sub-areas of focus for us in year 2, they are very much to go further about our work on purpose and values in the Cabinet Office. They are to continue to address the root causes of bullying, harassment and discrimination, which remains a focus for us in the Department. They are to invest in exceptional leadership and line management; in phase 1 of the programme we did quite a lot of work on building line management capability, and we will sustain that into year 2. And as we bridge from year 1 to year 2, we have also launched a new leadership development programme, which will be an important theme.

The last four areas to focus on are continued work on progression and the development of careers within the Cabinet Office, building on the progress made in year 1, and optimising our hybrid working model. We are a Department made up of about 7,000 staff in the core Departments, and 2,400 of our staff are based across the United Kingdom outside London. That is the direction of travel as we move towards meeting our



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Places for Growth targets and beyond, so working effectively in that hybrid way is very important. Linked to that is strengthening regional leadership and the engagement of our staff.

The last area of specific focus is what we call colloquially corporate services sludge busting—in other words, removing, where appropriate, some of the bureaucracy to give people elbow room, to get out of their way, to enable our staff to perform at their very best.

Q480 Damien Moore: Could I quickly ask about one point on managing performance? Many people who go in and do a very good job often see the minority who do not as causing a bit of an issue. Are there any plans around working effectively to eliminate some of that, and managing performance around those who are not performing to optimum levels?

Sarah Harrison: Yes. First of all there is our investment in good-quality line management, and explicit within that is the importance of managing performance, both strong and able performance to create the space to encourage the growth of skills and capabilities and see further progression, as well as tackling poor performance, and then also a focus on our leadership development. That puts the foundations in place.

Then, of course, associated with that is the ongoing work to conduct regular performance management processes, which are very much a feature of the Department as they are for many others. We will continue to look where we can at further ways to improve that performance-reporting process. It is quite rich at the moment in that you draw upon 360 feedback and other elements of feedback in conducting those performance processes, but we need to move to a much more continuous level of engagement, particularly through improved line management, to encourage and drive further improvements in our underlying performance.

Q481 John McDonnell: May I declare a non-pecuniary interest? I am a member of the PCS Treasury parliamentary group, with a non-pecuniary interest there.

Can we talk about the people survey and pay? Last time you were with us we went through the survey, and at that point satisfaction levels on pay were more dissatisfied than at any other period since the survey began. Has that improved?

Sir Alex Chisholm: Yes, it has.

John McDonnell: Dramatically?

Sir Alex Chisholm: It has, right across the piece. I would not say it is yet very strong but it is a dramatic improvement year on year from what was a very low base, as you rightly say. That was an exceptionally poor year.



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Do you remember the circumstances—we went through a little bit of the evidence—that we went through last year? The pay remit was fixed in March and then, of course, over the year a lot more inflation came into the system. The pay of some of the other public sector workforces was fixed over the course of the summer and that took more account of those increases in the cost of living.

You will remember that the Deputy Prime Minister and I were before you in January of that year and we were looking hard at what the remit should be. As he said at the time, we were very conscious of the impact of the cost of living on people, and after that you saw that the pay remit put in place for the year following was 5.5%, which was the biggest increase for I think two decades. Then there was an additional payment of £1,500 as a one-off cost of living payment to delegated grades.

Q482 John McDonnell: Perhaps you can give us a flavour. Have you gone up to nearer the 39% or are you nearer the 28%?

Sir Alex Chisholm: For?

John McDonnell: On satisfaction with pay and benefits. It fell from 38% to 28%. Are you nearer the 39% or the 28% now?

Sir Alex Chisholm: Nearer the 39%, yes.

John McDonnell: So you have moved up a bit.

Sir Alex Chisholm: Yes.

Q483 John McDonnell: Okay. I do not know whether you have seen the latest report from Queen Mary University, submitted as part of the pay round.

Sir Alex Chisholm: Queen Mary? I have seen that in the PCS one.

John McDonnell: Yes. It was in the pay round last week, I think, submitted to you and the Ministry. On pay satisfaction, what has come out of it is, I suppose, a quite objective analysis of where people are at on pay. Even if we are nearer 39%, it is still pretty low for satisfaction, and that does have implications for morale. I can give you a flavour. Staff are saying that the civil service has gone from an above-average pay occupation in the 1970s and 1980s to below-average pay. Since 2010, median annual pay has fallen, depending on grades and inflation, between 15% and 38%, and now we are in a situation where as a result of statute, when the minimum wage goes up, so do pay rates. We are now, as a Government, a minimum wage employer to a large extent in many areas and that is having an impact on differentials as well. Differentials are closing down. The concern we all have, employers and trade unions, is about the impact that is having on morale in the long term.

What long-term steps do you see being taken now to resolve this issue? It clearly does impact morale. Even if there has been some improvement, satisfaction is still pretty low and that will impact recruitment and



retention, or may already have done so.

Sir Alex Chisholm: In short, I agree. Those issues are important. You are right when you say that pay has not improved in real terms and, indeed, has gone down in real terms for all but the AA grade, which has been pulled up by the national minimum wage. That is from findings not just of our work but from the National Audit Office in a report for Parliament.

If you add the total compensation package—obviously the pension is more generous for civil servants than it is for many other workforces—that does make the overall package more competitive. I think up to HEO, beyond HEO and even including that, the misalignment comes back in. I think this clearly points to big issues with our rewards strategy. They have not tended to be acute issues in the sense that we have been able to recruit and hold on to people—we have not had big deficits according to pay—but over time I think that they do risk people’s commitment to the attractiveness of the civil service as a place to commit for many years or your whole career. Some people perhaps feel a bit anxious or resentful about that.

At its centre, the people plan that we published in January recognises that we need a proper new rewards strategy that looks root and branch at the issue of reward and probably includes the balance of reward over time, because the pension is a big chunk of the reward but that is not necessarily where people’s priorities are at different stages of their lives. That should be part of it.

We have a London pay system, a rest-of-the-country pay system, and we have a delegated system so that individual employers have the right to vary within their remit. All those things need to go into the mix again for a hard consideration as to whether or not we have got the system working right. Obviously I am very aware that the PCS and other unions have said that we need a national bargaining framework. That is their view. It has not been the Government’s view, but I recognise that that is what they have been pushing for.

Q484 **John McDonnell:** You raise two points there. First, is there any clarity within the strategy that there needs to be some form of catch-up in light of the erosion since 2010?

To your second point, when we had the Secretary of State before us he referred to the point you just made about national bargaining and said he was going to look at it. He had a concern about what he described as the balkanisation of the pay negotiations. He was looking to see what reforms could be brought forward so that there could be fewer pay negotiation bodies and more consolidation. Has that moved on?

Sir Alex Chisholm: I remember him saying that. The Minister for the Cabinet Office had had a lot of dialogue with the various national unions and he did say that. I was in some of those meetings. It was very important and we appreciated the insight, and not just opinion but also



evidence and data from consultations with their members. It was very helpful to recognise that.

On the catch-up aspect, I know this has often entered into pay negotiations not just among civil servants but in other public service workforces. I think you need to pay attention to that trend over time. Whether you can catch up on a lot of ground lost from a previous era in a time of constrained public resources is probably a real question, I have to say, around affordability, but I certainly felt that the £1,500 payment was expressly to try to recognise that our workforces had had to suffer cost of living impacts that had not been recognised when the pay remit had been set.

Q485 John McDonnell: The problem is that on the minimum wage position you are faced with another industrial relations problem unless it is addressed, because you are becoming a minimum wage employer at such a low level.

Can we move on to headcount? At one stage, the Government announced that they wished to return the headcount to pre-covid levels—roughly a 70,000 reduction overall. When we had the Secretary of State before us recently, there was a commitment to a reduction in headcount overall. Do we know where that plan has got to? Take your own departmental situation: you have reduced the headcount but you are paying more for temporary staff. Is that good value for money?

Sir Alex Chisholm: Taking those questions in turn, first, you are exactly right that the Government have a strong aspiration to reduce the overall number of people working in the civil service, first to get back to 2019 pre-pandemic levels, and ultimately back to 2016 levels, which I think was the lowest point in headcount numbers of the post-war era. The Government have stated that intention. They have also recognised that there are huge demands for public services and being short of staff can contribute to backlogs and other shortfalls in the services that citizens expect.

To reconcile those two positions, there are two things. First, what the Deputy Prime Minister said before this Committee when we were here together in January was that the way in which we are seeking to achieve this is by having better and more efficient ways of working. I restate that. That is the most important thing. Just having fewer people will lead to less good public services unless you can improve the efficiency of the way in which people work. That must be exactly right.

On the absolute numbers, you may have seen that the Chancellor announced in autumn of last year that the restated Government ambition was to make sure that there would not be any net growth over the remainder of the spending round period in the total headcount of the civil service. That was recognising that we would need to add new people but we could potentially lose people in other areas. It is not a recruitment freeze. We would be continuing to recruit, but overall the net numbers



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should not increase over that period, recognising that some Departments would be getting bigger and others would be getting smaller. I think that brings us up to date on where we have got to on that.

John McDonnell: There are some Departments where it is acknowledged that there is understaffing—DWP in particular.

Sir Alex Chisholm: I think DWP has been looking to add to the number of work coaches. It has been getting very good returns on those. It is obviously incredibly important to get people into employment, in some cases back into employment, so that is an area of growth that it has. You will be familiar with the Home Office adding more people to deal with asylum cases. The Ministry of Justice found that it needed to employ more people in the prison service. It had lost a number of people from the prison service during the covid era and so on. Those have been areas of net growth—relatively few and quite targeted.

Turning to the Cabinet Office and your question there about our headcount numbers, comparing the end of September 2023 with the end of September 2022, which is all reported in the annual civil service employment survey, we had reduced about 500 FT in that timeframe. Most of those reductions came from people who had finished the work that they were working on and the programmes we had rolled out in particular things. We take on new responsibilities. We have to finish them and let them go or return them to Departments and so on. That was cyclical and efficiency based.

In the year you have for the accounts that we are looking at today, 2022-23, we had increased the spend on contingent labour, which you were referring to. It is not in the same areas. The areas where we had needed to add additional contingent labour were, first of all, in the Government Digital Service. Our model for delivering One Login, which is the new digital identity programme we have, involves a mixture of consultants, contractors and civil servants. We try to make it as many civil servants as possible and we are increasing that over time, but because it is mission critical and it is a service that will affect 25 million citizens, we also did want to take on board people who had prior experience in digital identity and so on. That was one area.

We also had contingent labour in relation to property specialists working in the Government Property Agency, and we had some temporary staff to help to deal with the surge in demand for Government Recruitment Service and UK Security Vetting. Overall, our costs, as you rightly say, increased by about £8 million in relation to the use of contingent labour.

John McDonnell: By £9.8 million.

Sir Alex Chisholm: Thank you very much. If you compare the reduction of the cost of having about 500 FTE, that is probably saving us about £35 million. They are not the same people, but I just emphasise that overall our measures to control efficiency and expenditure and to have no more



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staff than we needed to and only to use contingent labour where it is useful and where it is clear value for money to do so have been successful. Looking at consulting expenditure, we were also able to reduce that by almost exactly £8 million comparing the two years together.

Q486 John McDonnell: Related to that, the exit packages have gone up dramatically, haven't they, compared to the previous year? Why have so many exit packages been agreed? I will give you the figures. The Cabinet Office group granted 182 exit packages during 2022-23. That was £4.4 million. In 2021-22 it was only 10.

Sir Alex Chisholm: Yes, you are right that that is an increase, admittedly on a small base. To give you the scale of that as an activity, £4.4 million is about 0.6% of our net pay cost, so it is not big in the overall scheme of things. The reason for the increase in the number of cases, particularly the large number of relatively small cases that you draw attention to, is nearly all special advisers. So £3 million of that £4.4 million was payments to special advisers. You may remember that in that year we had a considerable level of change in political leadership and special advisers serve coterminous with their political—

John McDonnell: This is paying off pals, is it?

Sir Alex Chisholm: When special advisers who lose employment—

John McDonnell: Where is Dominic Cummings among all this, then?

Sir Alex Chisholm: He might be in the previous year's accounts.

Q487 John McDonnell: Okay, fair enough. On a serious point, the staff turnover figures are quite dramatic, aren't they? I was looking at the turnover rates—I think the Institute for Government came in for discussion about this as well—and it is 28.2% compared to the average of 11.9% across the civil service. Are you concerned about high levels of staff turnover? Surely it does have some impact upon the capability of the Department.

Sir Alex Chisholm: Yes. We are not concerned when people who have done their job finish it and move on. Within 2022-23, for example, people who had previously worked on the covid taskforce were disbanded. People who had worked on COP26, nearly 180 people, people who were working on the G7 summit and the year of presidency that we had in the UK, all those people rolled off those tasks, so I say great, that is good turnover. Within the overall figures we have fast streams and it is part of the model for developing fast streams that they move every year. The fast streams across the whole of Government count against the Cabinet Office. Those are areas where you would expect us to have a higher level of turnover.

As I was trying to say in answer to the questions from Damien Moore previously, the turnover we do not want is when people we would like to



stay working with us choose not to because they find it not a great place to work, or their skills are not used or there is a pay issue.

Q488 John McDonnell: That is understandable in any organisation. If you took into account the completion of tasks and so on, what would your percentage be? It would not be the 28.2%. What would it be, do you think?

Sir Alex Chisholm: I think you have that figure, Sarah.

Sarah Harrison: The figure that probably is most comparable to the rest of the civil service in the way you describe is about 14.8%. That is down itself from about 17% two years ago. The direction of travel at a gross level, if I could put it that way, is down. In other words, fast streamers, Government commercial professionals who are on our payroll but serving in other Departments and special advisers, as we have mentioned earlier, are in that gross figure. The focus particularly on turnover internally is around 14.8% at the moment, and that direction is going down as well.

John McDonnell: It is probably worth for the future making sure we are aware of that, because otherwise the figures do not accurately reflect the Department's operations. Thank you.

Q489 Ronnie Cowan: I want to look at consultancy. I am curious about what we are spending money on, where we are spending money and the effect that is having on the civil service. For some background, prior to 31 January 2023, Government bodies seeking to spend on consultancy services were required to obtain Cabinet Office approval for contracts with a duration of more than nine months and/or with total costs exceeding £600,000. That has been discontinued. Is there a limit in there, and why did we scrap that limit?

Sir Alex Chisholm: There are a couple of different things there. Internally, within the Cabinet Office we have a very robust process for testing all consultancy expenditure. It goes through a Cabinet Office approvals board, which subjects all consulting spend to assessment for value for money, whether or not we could do it internally, whether this is the best firm to be using for it, whether we are compliant with the consultancy playbook and, therefore, making sure there is proper knowledge transfer taking place, and so on. That includes NEDs as well as executives, and then recommendations go forward to Ministers. A great deal of scrutiny and assessment is given to any consulting spend and that is, I am sure, one of the reasons why we were able to reduce it so substantially from £29 million in 2021-22 to £21 million in 2022-23, which is a big reduction.

Across the wider civil service we also apply a system called Cabinet Office controls, which is a delegation of the expenditure controls of the Treasury. On its behalf, we scrutinise major expenditures and major new contracts for both commercial procurement and digital. We have the same for property controls. We also do marketing controls in major



projects. All those go through these assessment processes. As part of that, when we were looking at the overall weight of admin and bureaucracy in Government, we were saying, "Hang on, people are spending enormous amounts of time and effort in this activity and in many cases it has already had to go through a departmental sign-off. It has had to go to their investment committee. They have had to assess it. It has been signed off by their senior people and by their Ministers."

Ronnie Cowan: This sounds tremendously expensive.

Sir Alex Chisholm: Because of that level of control, we judge that it has a cost to it—it has a value. We looked hard and asked whether we could have as many of the benefits as possible with a reduced cost. This was an exercise led by—

Q490 **Ronnie Cowan:** To go back to my original question, at what point does this operation kick in? If you were looking for a consultancy, at what point do you have to go through all these hoops to justify the administration and the paperwork to say, "Yes, let's grant that contract"?

Sir Alex Chisholm: You are exactly right. Previously, the threshold had been set at quite a low level and we were able to say, through an exercise, taking each one of those controls, "What is a more proportionate approach?" Through that, we were able to reduce by about 80% the volume of those Cabinet Office controls. That is, if you like, the second assessment point. The Department has already approved it. It then goes to the Cabinet Office for a second approval, so 80% by volume of those cases, without affecting, if you like—I think that it is by less than 10% or 15% the value of cases looked at. For the long tail of relatively small cases we are saying, "Is it worth the second opinion, or is it just another bit of bother to go through on a case where the amounts at stake are not great?" That is why we, led by the Minister for the Cabinet Office and the Chief Secretary at the time, went through that exercise.

We then did a study with the help of auditors a year later to ask, "Have we taken on any more risk as a consequence? Is this proportionate? Are we missing anything?" They found that we were giving more attention to the bigger cases, the more risky cases, so that was a net gain. I am pleased with that as an improvement in the system of control we have put in place.

Q491 **Ronnie Cowan:** What are we spending consultancy on?

Sir Alex Chisholm: We spend consultancy in Government across lots of different areas. The classic way to use consultants is for specialist skills that it does not pay the civil service to have permanently on tap. In our case, I mentioned in response to questioning from John McDonnell that, for example, we have had to build a new system for digital identity management. For anybody accessing Government services, rather than having each time to re-identify yourself to say, "This is who I am and I can prove that. Here is my address and here is my date of birth," you



have a reusable system. It is a pretty important part of digital government and very vital to public service delivery. That obviously needs to be built to a very high standard of robustness, usability, security and scalability. We did that with a combined team of consultants, contingent labour and internal civil servants.

Q492 **Ronnie Cowan:** Are you happy that in that process you have outlined there the knowledge from the consultants you have brought in has now been passed on to the permanent staff within the civil service?

Sir Alex Chisholm: That is exactly right and that is one of the conditions that we have as part of what is called the consultancy playbook, which is how to do this best as a piece of best practice guidance issued by the commercial teams in the Cabinet Office. A key condition of that is to say it is fair enough that you might be able to get consulting advice or contingent labour from people who have worked on digital identity systems before and perhaps implemented them in other Administrations or in other contexts, but we do not want to be in a situation where we always have to go back for real expertise externally and pay the premium for that. We want those skills to be internally held.

Just to reassure you on that, if you look at the overall picture of Government expenditure on consultants, that has enormously reduced—so 2021-22 was £1,596 million across Government, and 2022-23 was £1,187 million or £1,188 million, so that is a reduction of about £400 million year on year, which does show very close attention to value for money and trying to reduce reliance on external consultants.

The flipside of that has been building up our internal resources. We have been able to increase over that year by several thousand the number of people in Government with deep skills in digital data and technology. That is because we see that as a core skill for Government and not something where you need to rely on external people. It is something where our own people need to be exceptionally adept.

Q493 **Ronnie Cowan:** At one point we were creating what was termed a Crown consultancy. That has been ditched. Do you think that the method you are using now is more cost-effective and more efficient?

Sir Alex Chisholm: There are different aspects. As an experiment we put in place a Crown consultancy for about a year and a half to see whether or not we could have a group of people who were able to substitute for the work of consultants but working in Government with consulting backgrounds and skills. We found that quite difficult to do, partly because the range of different activities that Government undertakes is hard to replicate in a small hub of consultants, even though they were very good.

The highest value add from their activity was in the triage function, which was, "Are you sure you really need to do this? Is there a better way? Why don't you just use consultants for this piece of the work but not for that



piece? Show me how the knowledge transfer is occurring.” We have embedded those practices in the consultancy playbook, which all Departments have to follow now.

Q494 **Ronnie Cowan:** Not everybody is a fan. Lord Agnew suggested that the excessive reliance on consultants has infantilised the civil service. Do you agree?

Sir Alex Chisholm: Lord Agnew was part of that process of trying to challenge excessive use of consultants and I think that the reduction—

Ronnie Cowan: Do you agree?

Sir Alex Chisholm: Year on year, that £400 million reduction was partly due to his work as well as that of others, so I very much support that. I think that what lies behind his comment there is a sense in which if all the amazingly talented people we have working in the civil service see the hardest, most exciting work being given lock, stock and barrel to external consultants who are paid a premium, then that could have an effect on morale, engagement and willingness to serve over time, which is why we need to make sure that we only temporarily use consultants in exceptional cases with specialist skills to achieve the knowledge transfer that you mentioned at the beginning of your question.

Q495 **Ronnie Cowan:** When you bring in a consultancy, for digital imprints or whatever, are they under contract not to then poach your staff?

Sir Alex Chisholm: I think that most standard terms probably do include what is called non-solicitation—that you aren’t to do that—yes.

Ronnie Cowan: Poaching staff—it is the same thing. Are you confident you can bring in a consultancy, any consultancy, and they will pass on that knowledge to the civil service and they will not start saying, “We will have you and you” out of the civil service? You are comfortable that your contracts are tight enough.

Sir Alex Chisholm: Yes, and I have not come across such cases, I must say.

Q496 **Tom Randall:** Sir Alex, could I ask about spending? The figures in the annual report show a planned £2 billion capital spend, but it is my understanding that the supplementary estimates memorandum does not show that planned expenditure. First, is it the case that there will be £2 billion capital expenditure?

Sir Alex Chisholm: Could I take the chance to bring in variety on my other side? I have the chief financial officer at the Department next to me and he would love a chance to try to explain the difference between those two numbers.

Richard Hornby: Thank you very much. The supplementary estimate memorandum from January of this year is by far the most up-to-date



forecast in the public domain of what we will spend in the next financial year.

I think that the question relates to appendix A in the 2023 accounts. What appendix A in the 2023 accounts contains is the Treasury OSCAR-contained forecasts of the Government's expenditure over the lifetime of the SR. For SR21, of which next year will be the third year, that is in relative terms quite an old number. That is based on the main estimates that we thought in 2021 would be in place in 2024-25.

If I were to look at capital, which is your question, with our forecast for capital in 2024-25, the increase really was an estimate of the impact of an accounting change. During that time starting in 2022-23, we introduced the IFRS 16. IFRS 16, as I am sure the Committee is aware, changed the rules for what counts as a capital asset and what counts as capital expenditure. Previously, you treated lease as if you owned the building; IFRS 16 says that if you have control of the building then you must treat that as capital expenditure. That is a major undertaking. Our early estimate of that suggested that the impact was going to be £2 billion. That was far too high. Actually, as the accounts show, the impact in 2022-23 was £775 million, so less than half of that. I am expecting 2024-25 capital expenditure, which is still the subject of active discussion in Government and with Treasury, to be far closer to what is in the supplementary estimate memorandum for this year at between £600 million and £700 million.

The drawback, I am afraid, of appendix A is that it is the old main estimate at the start of the spending review period. It is, however, still a really useful disclosure as it allows the reader of the accounts to track the change in actual public spend from the spending review announcement. It also explains why there was such a decrease in revenue expenditure in RDEL, which I would be happy to explain if the Committee would like.

Q497 Tom Randall: That is a very comprehensive answer, so thank you. I am a non-accountant, so can you just confirm that this change in numbers does not mean that any projects have been shelved?

Richard Hornby: No, absolutely not—not in and of itself. Of course, the actual capital programme would include the GPA Hubs programme, and different buildings would have been built at slightly different times as work was brought forward and moved back, so it is not exactly the same. The drop of £2 billion to a cash spend of £600 million is not because a very large project was cancelled; it was because in 2021 we were estimating the impact of an accounting change without even knowing which leases would have been on-boarded on to the Government Property Agency.

What drives the difference is that the Cabinet Office consolidates the Government Property Agency into its accounts, and the Government Property Agency is fundamentally a property management and leasing business. Small changes in the GPA, proportionately for the Cabinet



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Office, could then have big swings in the balance sheet, and particularly big swings relating to the exact timing of IFRS16 charges. But the straight answer is no: this does not represent a halving of the capital programme in the Cabinet Office.

Q498 Tom Randall: In a similar vein, the annual report shows the Cabinet Office facing a 50% cut in the administration budget in the next financial year, but again the supplementary estimates memo shows a much more modest fall. What cut is the Cabinet Office actually facing?

Richard Hornby: The published SR settlement showed a £30 million drop in what I would call core funding. However, for all the Cabinet Office and the Cabinet Office group, which is the consolidated figures, we would also include the increase in spend that relates to on-boarded properties within the GPA, specific funding relating to the hubs programme, specific funding relating to the size of the public inquiries—the covid inquiry and changes in that expenditure would consolidate up—but also, in particular, central digital investment around One Login or investment in AI would count in the Cabinet Office.

The published drop in the main estimate of about £30 million as part of the spending review may well be offset if the Government decide to make further investment, particularly in digital or the hubs programme. Broadly, I expect the Cabinet Office to be spending far closer to the £900 to £1 billion as disclosed in the 2023 accounts than the earlier 2021 forecast of what the main estimate would be, which is closer to half that.

Q499 Tom Randall: Okay. Is the 50% cut a remotely achievable figure?

Richard Hornby: Unfortunately, appendix A, to which you are correctly comparing the 50% reduction, was the 2021 estimate of main estimates. Now, there are many fantastic things about the Cabinet Office, and one of them is proportionately how much of its expenditure turns up in supplementary estimates. The memorandum describes many of those examples. We do not have funding for the inquiries in our main estimate. We do not have funding that relates to support from CCS dividends in the main estimate. Even on a comparable year, we would expect that the main estimate is increased enormously, by at least 50%, just through the course of normal business in the supplementary estimate.

You will always, unfortunately, see a big difference between what the forecast main estimate is for the Cabinet Office and what is then confirmed in the supplementary estimate. For some of those cases I think that is just and right and proper. The covid inquiry is a statutory, independent inquiry. Within the bounds of managing public money, the secretary and the chair will say, "This is what our plan will be," and that is known during the year so it is just and right and proper that the actual funding for that is agreed during the year through supplementary estimates, even though Treasury's cover is provided to start. It is just one of the peculiarities of the Cabinet Office. It is true for all Departments but proportionately much larger for this Department.



Q500 **Tom Randall:** You have given some quite varied examples and, Sir Alex, in your opening comments you mentioned the breadth of the work that the Cabinet Office is doing. Given those variables, that uncertainty and those changes, does that make long-term planning on the Cabinet Office's finances viable?

Richard Hornby: I would say that all Departments carry with them a degree of complexity. What it does mean is that where we have long-term plans of what we need to achieve, the complexity of the finances means that we have to have some active, open discussions with the Treasury, month by month, as to what a good position would be.

A very good example would be the One Login programme, a fantastic programme of investment in digital capabilities. There was a very good business case for that, which showed broadly what we would be doing over the three years of the SR. For such a complex programme, we knew that we would maybe need to move money from one year to the next, or that what was going to be revenue and spend was actually going to produce an intangible asset and should be regarded as CDEL. In those situations we have open conversations, and Treasury allows us to move money between years, just within the ringfence of One Login. Where we cannot nail down exactly how much we are going to spend in every year respecting annularity, the compensating control of that is a very active management of the position, within Treasury rules, as reflected in the supplementary estimate. The compensation for uncertainty is active management and agility.

Q501 **Tom Randall:** Finally from me, as I understand it the Cabinet Office has five priority outcomes, and there is arguably an imbalance in spending in that 12% of total expenditure goes towards the delivery of three of those priority outcomes. Why is it that the Department spends proportionately so little on some of its priority outcomes? Does that reflect the priority accorded to them?

Richard Hornby: No, it doesn't. I do understand why it seems to jar—why there seems to be a dissonance.

A very good example would be the Cabinet Office's role to support equalities and to support the agenda for diversity and inclusion. The majority of the spend that we record on that is around the equalities unit and the Equality and Human Rights Commission, which together is about £21 million. That means that the direct spend on that is a very small amount; however, it has its own commission. The Cabinet Office delivers support for the different Ministers for equality, for women and for disabilities. In political terms, that is an enormous priority. There are Ministers just for that priority, even though the spend and the organisation dedicated to that is relatively small. We have in the Cabinet Office a Minister and a ministerial team that is dedicated to veterans' affairs, even though the spend on that is relatively small.



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In many cases with the Cabinet Office, the total level of spend is not necessarily an indicator of the bandwidth, importance and impact that the Cabinet Office brings through its convening power across Government and the public sector. It is also still able to sponsor legislation and to intervene—again, that is not measured by how much RDEL or CDEL is appointed to that. But I do understand how it does seem to jar or contradict—quite so.

Q502 Damien Moore: A year ago you told us that new outcome delivery plans were being produced ready for the new financial year, but you are still reporting against the previous ones. Why is that?

Sir Alex Chisholm: I said we would be producing new outcome delivery plans for the new financial year and we did. All Departments did so, with the sole exception of those Departments that are going through machinery of Government changes. You may remember that—that was February of last year. They were not able to produce them at the beginning of the year because so many other things were changing, but they did later in the year. Outcome delivery plans, just as I predicted, were put in place for all Departments and were used to hold Departments to account through the ordinary processes over the course of the year. New ones are being updated now for the year ahead.

Q503 Damien Moore: Where they are not there, how can we report against plans that are obsolete? I know that the Chair has through this Committee been very direct about the fact that it reduces our ability to scrutinise if something is not up to date.

Sir Alex Chisholm: Just to emphasise, new plans are produced every year. The issue that you are referring to is whether or not those are published. I know that the Chair did indeed correspond with the Minister for the Cabinet Office and the Chief Secretary last summer on that issue.

Q504 Damien Moore: Given that they have been produced, will they be published?

Sir Alex Chisholm: They have not been published this year or the year before and I think that no firm decision has been taken about next year. We will have to wait and see.

Q505 Damien Moore: Who will make that decision?

Sir Alex Chisholm: Those decisions are for Ministers.

Damien Moore: We might have to write and find out then.

Q506 Mr David Jones: Sir Alex, you will probably recall that at a previous attendance by you before this Committee I raised with you the issue of the expenditure incurred by the Cabinet Office on the legal representation for the former Prime Minister Boris Johnson in connection with the Committee of Privileges investigation into him. I asked you whether you ever thought a ministerial direction was appropriate and you said not, given that there were precedents for this expenditure. The Comptroller



and Auditor General subsequently expressed some doubt about that, saying that although there was precedent for expenditure, it was precedent in connection with public inquiries, and that the Committee of Privileges investigation was of a wholly different nature. In the light of that, do you think that you should have sought a ministerial direction for that expenditure?

Sir Alex Chisholm: No. I stand by my position. Can I just set it out a little bit further, if it is helpful to the Committee? The principle we are talking about here is for former Ministers to get legal advice on the performance of their previous ministerial functions. That is very well established and many of, if not all, the Ministers appearing before the public inquiries at the moment have availed of that. That has been the case for many Administrations. There is nothing novel, contentious or repercussive about it.

The area of, if you like, debate with the NAO when it came to look at it very carefully, prompted I think by some inquiries from others, was: was the fact that the former Prime Minister was appearing before a parliamentary Committee different in kind, requiring a new and fresh assessment, compared to the instance where it was before a public inquiry? We said no—we think that is just another instance of an established policy. The question from the NAO was: was it something new enough, novel enough, to require a fresh look? That is the area of debate. It is probably quite nuanced—

Mr David Jones: I think they described it as a borderline case, didn't they?

Sir Alex Chisholm: The C&AG exactly described it—he has written it up in a very full way in the accounts so that everyone can see—as a borderline case. For that reason he said, "Look, first of all, I want to get a second opinion on that." He sought one from the Treasury's director general for public expenditure and the Treasury Officer of Accounts. They looked into it and accepted our assessment that it was regular—that is, not novel, contentious and repercussive. That was the view, you may recall, of the permanent secretary who first looked at this. It was my view. It was the view of the chief financial officer beside me here. As it turned out, it was also the view of the Treasury when it looked at it.

For all those reasons, the NAO LC, having looked into it and having looked very carefully at the processes that we had followed, and having seen that they had been done correctly around procurement and legal advice and that propriety and ethics had all been involved, through all that wrote it all up but clearly did not qualify the accounts and are therefore satisfied that the expenditure was regular and that the accounts provide a true and fair account.

Q507 **Mr David Jones:** I think I am correct in saying that the Treasury took the view that it is for an accounting officer to make a judgment as to whether an item of expenditure is novel, contentious or repercussive. Is



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that right?

Sir Alex Chisholm: That is true. That is the initial assessment. However, it did go on a bit further and say that it looked at the evidence that was put forward in support of the precedents and it was content with that—that it was regular expenditure for that reason. That was the view of the director general for public expenditure and the Treasury Officer of Accounts, who work closely with Parliament and across Government to make sure that these things are done properly.

Q508 **Mr David Jones:** What are the total legal costs incurred to date?

Sir Alex Chisholm: I think £260,000 rings a bell.

Richard Hornby: Yes.

Mr David Jones: Yes. I think that the figure set out was £263,000 in the annual report.

Sir Alex Chisholm: Thank you.

Q509 **Mr David Jones:** It has not changed since then? It has not increased since then?

Sir Alex Chisholm: On that issue, was that the—

Richard Hornby: For advice for that, I think that is right: that has not changed.

Mr David Jones: That is unchanged?

Sir Alex Chisholm: Yes. Obviously, the whole Privileges Committee matter has concluded. The Prime Minister is also appearing before the covid inquiry and has received legal advice as part of that, and that is ongoing.

Mr David Jones: That is a separate issue of a separate character. Thank you.

Chair: Thank you very much indeed. We will conclude our session there. There will be a number of supplementary questions that we will be writing about, which can be dealt with through correspondence. I thank our three witnesses, particularly Sir Alex for coming before us in what will be his last appearance. Thank you for your public service and we wish you well for the future, whatever that holds for you.

Sir Alex Chisholm: Thank you very much indeed.