

Treasury Committee

Oral evidence: Spending Review 2025, HC 1023

Wednesday 25 June 2025

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Members present: Dame Meg Hillier (Chair); Dame Harriett Baldwin; Rachel Blake; Chris Coghlan; Bobby Dean; John Glen; John Grady; Lola McEvoy; Dr Jeevun Sandher; Yuan Yang.

Questions 57-206

Witnesses

I: Darren Jones MP, Chief Secretary to the Treasury, and Conrad Smewing, Director General, Public Spending, HM Treasury.

Examination of witnesses

Witnesses: Darren Jones and Conrad Smewing.

Q57 Chair: Welcome to the Treasury Committee on Wednesday 25 June 2025. Today we are pleased to have in front of us the Chief Secretary to the Treasury, the right hon. Darren Jones MP, to talk to us about the spending review, which he unveiled in the House of Commons two weeks ago today. He is joined by Conrad Smewing, who is the director general of public spending at His Majesty's Treasury. Mr Jones, it is your first time in front of us in this Committee.

Darren Jones: It is.

Chair: Welcome. Hopefully you will be able to come in front of us again at some point this year to talk about how this is all rolling out over time.

There will always be potential winners and losers in the spending review—although I am sure the Government would like to spin it differently—but in this case, the Home Office and the Ministry of Housing, Communities and Local Government ended up with less money than other Departments. Can you explain the thinking behind that?

Darren Jones: Thank you, Chair, and thank you to the Committee for having me today. We started with the plan for change—the Prime Minister's published strategic framework for this Government over the course of this Parliament, where the missions that we came into government to deliver have been translated into certain priorities. That led into discussions with the mission boards, before we then ended up going



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into departmental-level discussions in the back end of the spending review. We were working to try to set budgets that allowed Departments to get on with their day-to-day work, but ultimately geared them up for delivering those plan for change priorities.

As you allude to, evidently the pie is the size of the pie, and not everyone gets an equal share of it. The NHS—perhaps of no surprise to anyone—gets a big chunk of it because of the size of its workforce and the priority the public place on it. Then we worked through each of the Departments to get to the best place we could within the fiscal constraints that we have. In some Departments—the Home Office, for example—there are some legitimate reasons as to why there are some reducing costs in their baseline. The Department for Transport is another example of that.

To take the Home Office example that you asked me about, Chair, as you will know, we have a commitment to try to get out of asylum hotels, which is a very expensive mechanism for temporary accommodation. Having worked with the Home Office and No. 10 on their plans around delivering on that commitment, we were modelling the reduction in cost in asylum hotels within their budget.

- Q58 **Chair:** You have picked up on asylum hotels, which is an important point. One of the problems there is the very big backlog of appeals—there are a lot of people stuck in those hotels because the appeals system is not delivering. When you were looking at that, did you also look at putting money into the Ministry of Justice to make sure that you are spending to save in another Department?

Darren Jones: Exactly right. We spoke to the Law Officers' Departments in the same way. We had a kind of trilateral discussion between three—

- Q59 **Chair:** Can you tell us what specifically is going into the Ministry of Justice, and what the trajectory will be for dropping down the number of appeals in the backlog, in order to deliver on the savings in the cost of asylum hotels?

Darren Jones: You will realise that the Ministry of Justice is trying to deal with not just the asylums challenge, but the prisons crisis—

Chair: I think pretty much everything in the Ministry of Justice is a challenge at the moment.

Darren Jones: Well, yes, and for the first time in a long time, the Ministry of Justice has got a good outcome from the spending review, whereas traditionally it was often at the bottom of the pile. We are trying to fix some of those issues.

- Q60 **Chair:** Can you give us some information about how you are balancing the need to drive down the cost of asylum hotels and what you are putting into the appeals system in order to do that? What will the trajectory be? How fast will you get that saving?

Darren Jones: If you go from one end of the system to the next, the Home Office is holding the group of people who have been waiting for a



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decision. I was told by the Home Office yesterday that at the end of March 2025, 106,771 individuals were being supported by the Home Office. That number is being taken down; it is 5% lower than at the end of 2024. I have some numbers here on hotel accommodation, if you would like them—I can come back to that. They are trying to work through the process as quickly as possible.

The other thing that the Home Office specifically does is the returns process. If someone is not granted asylum, the Home Office has to return them—

Q61 Chair: The point is about the appeals system, because there is a judicial element to that. We all know from our constituency casework how long that can take. That is one of the problems that is slowing people down: they are stuck in the hotels because they cannot get through their appeals.

Darren Jones: Exactly right. One practical challenge for the Ministry of Justice is the availability of relevant judicial expertise for the tribunal decisions, so we have given it a budget that allows it to increase sitting days overall in the court system—it is higher this year and next year than it was in previous years—but we are advised by the Ministry of Justice that at this stage, until it can recruit additional judicial expertise, that is the kind of rate at which it can operate. That is why the Home Office has to do a lot of work at the other stages of the process.

Q62 Chair: Okay, so there was a 5% drop in the quarter, from the end of last year to the end of March this year. Is that what you were suggesting?

Darren Jones: That is from 2024 to 2025, in March.

Q63 Chair: Okay. It will take some time, then, to drop the number of people in the appeals backlog down to a level where you will see a saving on asylum hotels.

Darren Jones: Yes, it is definitely a challenge for Government. There is no denying that. You are also trying to deal with the challenge of the new input of additional flow of people coming into the asylum system, which is why our funding for the Border Security Command and the Home Office's work to try to reduce that criminal activity—to reduce the input number, as well as dealing with the backlog—is an important part of the whole systems-level view that we tried to take through the spending review.

Q64 Chair: In the Home Office, they are using a lot of ODA money for this. If that figure does eventually go down, would you see that ODA money going back to the Foreign Office for overseas aid?

Darren Jones: The way that it works is that the Foreign Office gets what is left when the Home Office has spent ODA qualifying spend.

Chair: Yes, exactly, and that is still the plan.

Darren Jones: Exactly.

Chair: There is no change—okay, I was just making sure.



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Darren Jones: There is no change to the ODA mechanisms, no.

Q65 **Chair:** You talked earlier about the missions. If I remember rightly—I am sure you have them off pat, as a Minister, but I am not sure I do—one of them is about making streets safer, so crime is an important issue, and yet the Home Office budget has gone down. It is a small budget, so a small cut there is quite a lot, and there are huge pressures—for example, in London, counter-terrorism and a lot of issues around crime and antisocial behaviour. Why did the Home Office drop down the list compared with some of the other Departments? Surely it was a priority for the new Government.

Darren Jones: That is right. Policing is a priority for the Government. In the spending review tables, we talk specifically about spending power for the police, because of their source of income through the precept on the council tax at a local government level, as well as the money that is given to them directly, centrally, from the Home Office. On that basis, we have assumed a 2% a year increase in the overall budget for policing. Obviously, police forces are independent, so they get to decide themselves what they do in terms of their recruitment and their structures, albeit in partnership with the Home Secretary—

Q66 **Chair:** A 2% increase is effectively a real-terms cut, is it not?

Darren Jones: That depends on your view of inflation in the years ahead, but we are working on the basis that inflation is around 2%.

Conrad Smewing: It is a 2% real increase.

Q67 **Chair:** A 2% real increase, okay. Inflation is 3.4% at the moment.

Conrad Smewing: The inflation forecast over the spending review period is around 2% a year, so that 2% real increase will be about 4% nominal.

John Glen: We will look at the forecasts in the autumn and see what it looks like then.

Q68 **Chair:** Local government is crucial to the delivery of a lot of Government projects, and yet that Department has seen a cut and local government is being squeezed. My own borough had a near 50% cut in funding over the previous decade. Again, what is the rationale for giving a bit of a haircut to the Ministry of Housing, Communities and Local Government?

Darren Jones: Again, there are lots of different priorities in that Department, so I think it is worth unpacking it a bit. Obviously, housing is a big priority for MHCLG, and there is significant capital investment and some innovation around financial transactions that will allow it to deliver on that side.

Chair: We will come to the detail later.

Darren Jones: The other side of the local government settlement is that, in 2025-26, we have increased the local government grant by £2 billion—that has been baselined into future years—and I think we put another £1.5 billion by 2028-29 on top of that. That means that by the end of the



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scorecard period, you get just shy of, I think, £16 billion of Government grants to local councils. The money for councils has gone up, but we do recognise the big challenges for them on SEND, social care and children's social care, so we have plans in place to help reform all those areas of public service to reduce the pressure on local councils' budgets.

Q69 Chair: So we are relying on reforms of services to save money, rather than dealing with the current cost now.

Darren Jones: We have put more money in, but we have to reform SEND, children's social care and—

Q70 Chair: The figures sound big to a lot of people, but when you spread that money across local government, it is actually relatively small for the need. We know that the pressures on children's services and adult services are enormous and very challenging, and they are key problems. You have talked about putting money into the NHS, which we are going to come to in more detail later, but if you have problems with social care, you are putting pressure on the NHS. We tend to think on this Committee that the Treasury is not a great spend-to-save Department; it is more of a cash-in, cash-out economy. But given that you have the missions, did you consider any spend to save—in other words, spending more money on social care in order to relieve the pressures on the NHS?

Darren Jones: This is the first time in a long time that we as a country have gone back to multi-year spending settlements. We were able to work with Departments in looking at their plans to deliver over a multi-year period, and then try to model what we thought the savings would be from reform and how we could reallocate that money to the Government's priorities. Asylum hotels is one example. Children's social care is a great example of where the Government have done some really good policy work, and we have announced some money from the transformation fund, working with the Department for Education and MHCLG to deliver some really strongly evidence-based reforms on the ground.

Q71 Chair: I have looked at that in the past, and there is certainly some good work going on there—

Darren Jones: Yes, which I am quite positive about.

Chair: But it has taken a long time. That work has been going on for a number of years, including under previous Governments. It is good work that is being evaluated properly. We know that to evaluate a project, it takes maybe seven years to get the full increment. This Government was only elected a year ago, and these are things that will take a while to change. It is all very well saying these things will improve, but it is going to take some time to see the difference. When do you expect the Department to see the difference, given the funding settlement that it has had?

Darren Jones: On children's social care—there are other examples—we expect to see improvements in the course of this Parliament, and that is how it has been costed in the multi-year spending settlement. Children's social care is a good example of where there had been lots of work done,



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but the officials came to us in the spending review because they had not been funded to deliver it in the past, so we found the money to enable them to get on and do that. As you said at the start, Chair, our job, having agreed the numbers, is to work with Departments to make sure that we are really pushing reform and getting that delivery through.

- Q72 **Chair:** Finally on local government for now, one of the areas of funding for local government is council tax. The last Government repeatedly talked about the money given to local government, including the option to have a 5% council tax increase, and it seems to me that this Government is repeating that model of behaviour. That is money out of the pockets of local taxpaying citizens, and it is a regressive tax. Can you shed some light on this and be honest about the fact that some of that local government settlement is coming from the pockets of local council tax payers?

Darren Jones: Yes, it comes from local tax that people—

Chair: On the assumption that there will be a 5% increase in council tax.

Darren Jones: We have assumed that councils will behave in the same way they have behaved recently, so the rules have not changed.

- Q73 **Chair:** But they had to behave like that because of the funding settlement. They did not choose to put up council tax; they were effectively told by national Government, “Put up council tax by 5%, or you don’t get the funding.”

Darren Jones: There are a couple of differences that I would point out. They might have been told by the last Government, but the last Government were not helping them reform SEND, adult social care and children’s social care. They did not give them multi-year settlements and lots of the other things we are trying to do to make it easier for councils’ budgets to meet the needs of their local population. We are investing in—

- Q74 **Chair:** But you are baking in the 5% increase in council tax.

Darren Jones: We are doing that, yes. As I say, we—

- Q75 **Chair:** I think we just need honesty about this. It is not money from the central Exchequer; it is money from the pockets of local council tax payers, and you are expecting it to be 5%. There is not really much of an option for local government.

Darren Jones: I totally recognise that council tax is something we all pay in our local communities, on top of our PAYE tax to national Government. In terms of the spending review, we assumed that councils will continue to behave in the way they have behaved, based on the rules that exist: you have 3% for core and, if you are a social care-providing council, 2% on top. We have assumed that that money will be coming in in the same way, because although it is for councils to decide, we recognise the pressures they are under and the likelihood that they will therefore decide to do that.

- Q76 **Chair:** It is not really a real choice, is it? “Choice” is the word that the Chancellor likes to use, but it is not really a choice for local government.

Darren Jones: Some councils take different decisions from other councils, but it often depends on the local circumstances. I recognise that.

Q77 **John Glen:** The spending power number, which I acknowledge is—or certainly was—the LGA’s preferred measure to evaluate honestly their total spending power, includes the assumption of the maximisation of the 5% everywhere. Surely, you cannot simultaneously assert that the spending power number is true and assert that there is a discretionary decision on the 5%. The two have to go together to achieve the spending power number that you are giving.

Darren Jones: That is right: $a + b = c$ in the documents—there is no denying that. The only discretionary point that I am making is that some councils have chosen in the past not to use the full 5%.

Q78 **Chair:** Not many. Can you tell us how many?

Darren Jones: I do not know—you would have to ask the local government Department—but it is a fact that some choose not to, and that is the point that I am making.

John Glen: I understand. Thank you.

Q79 **Chair:** Finally from me for now, we have now had a commitment to increase defence spending by 5%, yet the spending review was published two weeks ago. How are you squaring that?

Darren Jones: The spending review, which goes to '29-30 on capital, meets Government policy to increase defence spending to 2.6% by 2027, inclusive of intelligence agencies. That is all fully funded in our spending review. We then had an extant commitment to get to 3% in the next Parliament, subject to fiscal circumstances. The Prime Minister has now agreed at NATO that by 2035 we will get to 5% of GDP, which is broken down into 3.5% core defence spending in the way that we would normally talk about it and then 1.5% on broader national resilience spending, with a review in 2029.

Practically, in terms of how we get there, when we get to the 2027 spending review, which will set budgets for after the next election, that will get us to those dates on the basis of 3% in the next Parliament, and then after the review in 2029, it will be for the spending review after the next election to set the trajectory to our commitment for 2035.

Q80 **Chair:** So it is going to be quite a while until we get there.

Darren Jones: Yes.

Chair: And of course it is a percentage of GDP, so it is a moving figure.

Darren Jones: Yes, ideally it would get bigger, but you are right.

Q81 **Dame Harriett Baldwin:** Following on from the Chair’s questions on winners and losers, I want to ask a couple of macro questions. Clearly, the Government have made a political choice to increase the envelope for public spending in this spending review faster than the projected growth in



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the UK economy. With the Budget last October and this spending review, the debt interest department—if you can think of it as a department—is now one of the biggest-spending areas of Government. If there were a big change in the rate of interest that the Government have to pay on longer-term debt—I acknowledge that shorter-term rates are lower, but longer-term rates have gone up since the Budget—where would you choose to reduce the amount that you spend in this spending review?

Darren Jones: Thank you for the question. You will no doubt expect me to say that I cannot comment on hypothetical future market movements. To try to answer the question more from a principles perspective, obviously the Chancellor, at Budget time, with the benefit of an OBR forecast, will look at all these things in the round and make decisions at that time. This spending review was based on the envelope that was set at autumn Budget '24 and the spring statement and that OBR forecast, and is fully funded and costed on that basis. We stayed within the spending envelope that was set at the spring statement. Anything that may or may not change in the future will be subject to future fiscal events.

- Q82 **Dame Harriett Baldwin:** I sort of did expect that kind of reply, but it helps me with my next question. One of the things that the Office for Budget Responsibility scored in the March statement was the changes to universal credit and the personal independence payment, which will be voted on at Second Reading next Tuesday. If that legislation did not pass, what choices would you have to make in the spending review envelope, given what it was scored for by the Office for Budget Responsibility?

Darren Jones: The first thing to say is that the Government policy has not changed, and we will be progressing with our reforms to the welfare system. Specifically in terms of the spending review, the bits that are reflected in the departmental settlements, predominantly for DWP, are in respect of their departmental budgets—things like employment support. If we are in a world where there are changes to the AME forecast on the demand-led spending for welfare payments, that is something that the OBR will forecast independently for us, and will then be factored into any considerations the Chancellor has at the Budget later in the year. You will know, and the Committee will know, that in the spending review I do not set AME budgets, because they are demand-led budgets that get considered at a fiscal event.

- Q83 **Dame Harriett Baldwin:** We appreciate the difference between annually managed expenditure and what you have put in the spending review, but do you acknowledge that a change in annually managed expenditure can sometimes have a knock-on effect on the projections and the departmental budgets that you have set out to 2029?

Darren Jones: As I said earlier, any OBR forecast that looks at the broader fiscal picture, in line with our fiscal rules, is something that the Chancellor will consider at the Budget.

- Q84 **Chris Coghlan:** Chief Secretary, you are increasing the capital budget by £20 billion up to 2029-30, but just about half of that takes place next year. Why is the capital budget so front-loaded?

Darren Jones: Do you mean £120 billion by 2029-30?

Chris Coghlan: It is increasing from £131 billion to £151 billion in total, but of that £20 billion increase, £9 billion happens next year.

Darren Jones: Right. I do not know whether we are working from different numbers, so forgive me, but the way I would characterise it is that we have increased the capital budget, based on inherited plans, by £120 billion by 2029-30, when the capital budget ends.

Your question is right, though, about the front-loading of that profile. There is a big peak and then it tails off. Part of that is because, at a macro level—and we saw this in the spending review for 2025-26—we needed to get a grip on the incoherent budgets that we inherited. The last spending review had been done in 2021. Spending plans had not been set up to reflect the new inflationary position we are in, and the cost of providing services and the things that had changed. We had to put in quite a lot of money at the front end to reset those budgets to reflect reality.

There is also a profiling question. Take, for example, HS2, which was broadly a disaster. It is at peak delivery at the moment, so spending on that is very high now, but we hope it will start to tail off in the back end of the scorecard.

Q85 **Chris Coghlan:** It is interesting that you said that was a disaster, because the No. 1 thing you can do to increase productivity is R&D. It is excellent that you are doing that in defence spending, but overall R&D is increasing by only 0.7% a year in real terms. How can you realistically expect productivity to improve?

Darren Jones: You are right that we are increasing the R&D budget. In cash terms, it is not at the rate of GDP. With the Department for Science, Innovation and Technology, we are also looking at how we gear the R&D budget towards industrial strategy priorities. You will have seen the Business Secretary launch our plans in the highest growth potential sectors—the eight sectors across the UK plus the foundational economy. We are trying to be coherent across Government to get the best growth potential from spending decisions.

We thought it was important to protect a growing budget in R&D. It is something we are really good at in the UK. We are very competitive, and it is an important part of our economy and our growth potential. But when you look at the broader capital budget, we obviously made decisions around council houses, transport and those things, which is why we could not go further.

Q86 **Chris Coghlan:** But in the round, R&D is not materially increasing. Would you consider borrowing to increase R&D, given that R&D is generating growth, so in theory that should not raise the debt to GDP ratio?

Darren Jones: It is a question for the Chancellor. We are always guided by our fiscal rules.

Q87 Chris Coghlan: Would it be outside the fiscal rules?

Darren Jones: Well, it will always be guided by the fiscal rules. Also, Dame Harriett pointed out the fact that Government debt is expensive and we have to be mindful of that, so borrowing decisions are taken very seriously. We think that we got the right approach in the spending review—the right balance between growth-enhancing investments. But as I say, we are supportive of R&D and, if we can do more in the future, I am sure we will want to.

Q88 John Glen: Can I ask about the additional capital spending? I think £23 billion of the additional £44 billion that has been allocated between 2023-24 and 2029-30 is going on defence and net zero, so there is a 48% real-terms increase in the capital budget for defence and a 140% increase for energy and net zero. That high proportion of additional money is going on those two areas, and transport does not do particularly well, for example. What is your view on what the appreciable change will be for those using public services, given that defence and net zero are long-term strategic investments rather than things that will make a difference on the ground?

Darren Jones: With your permission, I might break it down into three different bits.

John Glen: Sure.

Darren Jones: You are right that defence and energy security got a big chunk of capital—defence for perhaps obvious reasons, given that our commitments in the defence budget are predominantly capital, because they are buying military equipment. On energy security, we have obviously made quite a big commitment on nuclear energy in its different forms—small modular and gigawatt nuclear, which are obviously expensive for a long period of time—as well as our commitment on warm homes and trying to help people reduce their energy bills, which is a capital-intensive programme.

You then asked me about what that means in relation to transport and its growth potential. If you break down the transport budget a bit, on the RDEL side—day-to-day spending—we are working hard to reduce the post-covid rail subsidy. People not using the trains as much post covid was costing taxpayers billions of pounds a year, as you will know.

John Glen: I remember it well. We are addicted to it.

Darren Jones: Well, we do not want to be, so we are working hard to bear down on that subsidy and make the train lines commercially viable again. That is why you see a bit of a dip in the RDEL numbers for transport; we are pushing down on that.

Compared with what the original plans were, we have increased transport capital spending in particular ways. With the devolved budgets that we have given to mayoral combined authorities, we were really keen to try to unlock intra-city transport and enable growth and productivity in those areas. Then, as I said earlier, we have the weight of HS2 carrying on; we



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inherited a programme that was completely out of control, which we now need to get a grip of. The Transport Secretary has given a statement to the House and more detail will be coming in the autumn. That eats up a huge chunk of the transport budget all the way through the score card period, and there is not a huge amount we can do about that.

The last bit of your question was about public services. In a separate document, the infrastructure strategy, which I published the week after the spending review, we made some commitments on new build, for example the new hospitals programme and the schools rebuilding programme, which continues a successful programme at a slightly higher rate.

We also made a very clear commitment to putting more money into the maintenance of public service buildings. Historically, the backlog has just got bigger and bigger—we estimate that the maintenance backlog right now is about £45 billion—so we have given longer-term, higher settlements to try to help public services fix up their buildings while trying to build as many new ones as we can.

To answer your question, I hope that that will mean that, when you go into your local hospital, drop your kids off at school, or happen to be in a police station or court, you might see it starting to be fixed up, as opposed to having leaky roofs and being surrounded by scaffolding.

Conrad Smewing: Can I add one small thing on transport? The Chief Secretary referred to HS2, which is obviously a large amount of money over the spending review period, but it is projected to fall off. If you look at transport spending excluding HS2, from this year it is going to grow about 4% a year in real terms.

Q89 John Glen: But I remember having conversations about HS2; between a meeting being convened and me attending the meeting—about three weeks later—the number went up by about £10 billion. There is an inherent unreliability. I certainly know that, from the desk of the Chief Secretary, you sometimes do not have the levers. How are you going to ensure that those numbers are going to be valid going forward? Frankly, a lot of people will be very sceptical about whether the projections on transport capital expenditure are reliable.

Conrad Smewing: Obviously, I will not deny that previous cost estimates for HS2 have had a tendency to rise. At the moment, the programme is undergoing a reset, which will conclude in the autumn, and it has a new CEO, Mark Wild. The point I was making is that there is quite a big increase in non-HS2 transport spending in the plans that we have set out. If you are looking at relative winners and losers, it is worth looking at those two separately. That is one of the reasons why, for the first time, we split out two of the biggest mega-projects—HS2 and Sizewell C—from the departmental budgets.

John Glen: Sorry for interrupting you, and thank you for making your point. I understand.



Q90 Dr Sandher: Chief Secretary, I want to ask you about what has happened over the past decade, or at least during the decade from 2010 to 2020, when GDP growth was far weaker than we were expecting. Why do you think that was?

Darren Jones: As a Government, our assessment of that was that because of cuts to public expenditure—particularly in those early years post-2010, in the austerity years—and specifically cuts to capital programmes in our infrastructure and our public services, the last Government missed a trick, essentially, to try to stimulate productivity-led growth in the economy. Then, of course, we had a whole load of shocks: Brexit; covid; war in Ukraine; and those types of things. But our assessment was that it was specifically because of that cut to capital investment.

That was why the Chancellor said at the Budget last year that this Government are choosing investment over decline, why she has increased the capital budget, why she updated the definition of debt, why we are using financial transactions to try to be more innovative, and why we are increasing investment in the country's infrastructure.

Q91 Dr Sandher: In the spending plans that you had in this spending review, greater capital spending will lead to greater growth. What about on the current spending side? Does it concern you about current spending cuts in that decade?

Darren Jones: Yes, because ultimately, at the end of the day, it just seemed to be building up a whole host of headaches that we have had to deal with. The last Government tried to deal with some of them in the final few years. Cutting a load of police numbers and then rapidly trying to increase them again is not a long-term, sustainable way of dealing with a public sector workforce.

We are now having to try to tidy up lots of those problems, which, given the fiscal circumstances we are in, will take time. But we think we have got the right balance. We have reset our relationship with the public sector workforce, a lot of whom were on strike over previous years, by agreeing to the recommendations of the pay review bodies.

Importantly, we desperately have to modernise public services now, because it is not just about putting more money after bad. We have been working with Departments on their reform plans, investing up-front in that reform capability, and through functions like those of the Office for Value for Money and other bodies we are really digging into departmental plans to improve their own productivity in the years ahead.

Q92 Dr Sandher: There is a view there—definitely from yourself and I suppose maybe from the Treasury more broadly—that public spending cuts led to depressed growth. Then, going forward, public spending increases will lead to more growth in the future.

The OBR obviously did not have that view in 2010. The OBR's view in 2010 was that cuts would not have an impact on growth, and evidently they did.

The OBR felt that those cuts would not impact the budget balance, and they did. Does it worry you that the OBR methodology does not include the impact—the positive impact—of public spending on growth in public revenues?

Darren Jones: As the OBR is an independent body, you will know that I am not going to comment on the OBR's forecast; I will allow the Committee to take a view on that.

The one thing I will point out to you, though, is that in recent OBR forecasts, the OBR has scored the growth potential of policy decisions that we have taken, which may have been different to its approach in the past. Actually, if you look at some of our announcements, the planning reforms are the obvious ones in the spring statement, where the OBR added a positive impact on GDP, both in five years' time and 10 years' time in their projection. Also, increasing public investment in the autumn Budget and looking at some of our reforms in other policy areas has led to the OBR scoring the growth potential of public spending decisions, which of course we welcome.

Q93 **Dr Sandher:** It ends up being somewhat ad hoc. For example, you ended up with the planning reforms—more building, meaning more growth. However, the OBR, for example, does not say that building more social homes leads to more growth. What we are having is a slightly strange situation where the OBR is picking out slightly different parts of the policy that you are having to push to the OBR and say, "This is leading to growth." Does that frustrate you or your officials in some way?

Darren Jones: We obviously make the case to the OBR about what we think of our policy decisions. The OBR, as an independent forecaster, has the right to agree or disagree, and to publish its forecasts in the normal way.

I am not going to make a judgment on the OBR; I will leave that for this Committee, which holds it to account. But of course we are constantly in conversation with the OBR to make the case as to why we think our policies are going to make a difference.

Q94 **Dr Sandher:** Finally, there is the outcome of this spending review. You increased spending in certain areas. Are you planning to push that to the OBR and say, "Look, we expect these to have growth impacts going forward in, for example, early years childcare. We know there are huge beneficial impacts, but in other areas as well?" Are you planning to push that forward for future forecasts?

Darren Jones: Treasury officials work on our internal view around the growth impact of our spending decisions. Breakfast clubs, school-based nurseries—these are good examples of where we believe policies could increase participation in the labour market and allow people to work longer hours if they want to, which will evidently have a positive impact on growth. We continue to make that case but, as I say, it is ultimately for the OBR to decide whether they agree or disagree with this.



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Dr Sandher: Brilliant. Thank you.

Chair: The OBR will have its own modelling on this, which it hones regularly.

Q95 **Yuan Yang:** Chief Secretary, I am going to ask a few questions about the process of the review itself. It is a long process, involving lots of discussion, internally and externally. I am sure that you have received many different submissions, including my own submission for my constituency. How would you make it a more enjoyable process all round?

Darren Jones: I quite enjoyed the process, to be honest.

Chair: You did; I am not sure others did.

Darren Jones: You would have to call them to give evidence, Chair.

I had to do a small spending review for a year when we came in, because we inherited no spending plans from the last Government. Since then we have done a multi-year spending review. I was quite clear in the first spending review that things needed to change.

It was still a very analogue system, where I would write—on my letterhead—to a Secretary of State and commission them to make a submission using an Excel spreadsheet. All my brilliant officials would then analyse all that and put advice to me. We would have big A3 print-outs and then you would have this bilateral, quite—what is the word I am looking for?

Rachel Blake: Adversarial?

Darren Jones: Adversarial, yes—thank you. That kind of arrangement, where the Secretary of State and their team walk in, and you are on the other side of the table, and you have a bit of a robust conversation about whose data is right. It just did not feel very productive to me, to be honest.

We made a number of changes in this spending review, where it was more collaborative; we had teams of people from across different Departments coming together and talking to each other about their bids, and what that meant for Government delivery. We used data and technology much more effectively, to visualise and analyse what people were asking for, and what the trade-offs were.

I think I talked about it in the newspaper—I presented this dashboard to Cabinet, where they could unilaterally decide to slash the budget of one Department and give it to themselves, and see what it meant for their overall budgets, and the fiscal envelope. It was a much more collaborative exercise across Government, which I think everybody thought was a good thing to do.

Q96 **Yuan Yang:** I am looking forward to the next spending review, which I cannot wait to get into. How would you make that process even more collaborative? Ministers have talked about the fact that delivery requires



co-operation, but the allocation of the funding envelope can still feel very adversarial. Joint funding bids are really important for that collaboration—so how would you improve the process for the next round?

Darren Jones: I would want to keep the mission-led approach, and to go to the Chair's question at the start—it always seemed mad to me that, in the past, you did not get the Ministry of Justice, the Law Officers' Departments and the Home Office together to talk about a system-level view of delivery, when they were so intrinsically linked. I would want to maintain that.

Do I think you can completely remove a bit of bilateral negotiation? I do not think there is an answer to that, unless an AI just decides for us and we all have to agree with it. There is always going to be a bit of bilateral negotiation, and of course Departments use that opportunity to make their best bid. They know they are competing to try to get access to whatever headroom we have. I do not think you can get away from that entirely.

Q97 **Yuan Yang:** Finally, the Chair mentioned in opening questions the lack of a spend-to-save culture at the Treasury. The economists who gave evidence to our panel last week also spoke about the problem of preventive spending getting lost between the cracks of different Departments. One example—SEND—is an issue very close to my heart, and sits across local communities, education and health. How can we reform the way the process weights these spend-to-save and preventive measures that can be cross-departmental? Are there any improvements that can be made to that process?

Darren Jones: In terms of the multi-year settlement, we did get Departments together to talk about reform priorities, which they welcomed because it meant that Departments were accountable—in a room like this—to each other. When we needed to commission work or data to support one another, we did that formally through the spending review process, which has greased the cogs a bit and allowed that to happen.

For delivery, we now have to use our mechanisms to make sure that we are delivering against those priorities, and that those of us working at the centre of Government are constantly ensuring that Departments are doing so.

Some innovation we did this time, but that we could do more of in the future, is how we use data to model the fiscal benefits of prevention. We had some models and worked with the LSE and some other academics to try a bit in this spending review, to try to help us say: "If you invest in these three places and try to achieve these outcomes, in the long term you might make cashable savings of X." In the past, it has been quite hard to model that.

We could definitely do more in that space. We have started to do it, but it is still quite academic at this stage. We have a bit more work to do to try to mainline it.



Q98 Yuan Yang: What are the obstacles within the Treasury and its statutory agencies to getting that preventive thinking and the calculation of fiscal benefits mainstreamed, would you say?

Darren Jones: I do not think there are institutional obstacles. We have talked about this internally before, and I wanted us to do more on it. In response to my requesting it, the Department built this algorithmic system, working with universities to trial it. It happened because I asked for it—there was no friction or obstacle around it. We just have to make sure that it becomes business as usual, as opposed to an innovation or a specific ask.

Conrad Smewing: One of the very successful things in this spending review was the creation of the transformation fund. One of the central problems that we have seen in the past with preventive spending is that it gets squeezed out by the urgent pressures that all public services have. Setting aside quite a significant amount of money—£3.5 billion—in the transformation fund, explicitly for things that are going to make savings in the future, helps to provide a framework for Departments and the Treasury to think.

In the allocations from that transformation fund, there are a range of different investments that make savings, such as children's social care and SEND, which are really good preventive investments, but also digital transformation, tech and efficiency measures. That kind of structure helps to protect those longer-term savings during the allocation process.

Darren Jones: The criteria for that drove that behaviour. We told Departments that the money had been put aside, and that it would be considered separately from normal budget considerations, but investments had to be match-funded, have cashable savings in the scorecard period and be genuinely transformational. That drove Departments to think quite deeply about what was eligible for that. Of course everyone wanted the money from it, but they had to meet those criteria to really drive that approach. Certainly so far it seems to have been quite successful.

Q99 Chair: You talk about cash savings. Efficiency is often floated as something easy to achieve, but of course you quite often do not achieve efficiencies in year one, or even in year two. In one reading, you could say that the spending review is rather over-optimistic on achieving efficiencies. All Governments are optimistic that they will achieve efficiencies, until they do not arrive. How are you going to make sure that these efficiencies are actually delivered?

Darren Jones: Based on the evidence, that is a perfectly legitimate criticism. I suspect that Governments of all colours have, over the years, said, "We are going to be x% more efficient," and then costs go up. During the spending review period, we used the Office for Value for Money to go into Departments and scrutinise their plans for delivering what they said they would deliver. We published a whole section, which you will have seen, on departmental efficiency plans, in which we tested their assumptions.



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Chair: We saw that—we will come on to it in more detail.

Darren Jones: Instead of just setting a target and hoping for the best, we have worked with Departments to understand their plans. Much as with the rest of the spending review, our job now—and particularly my job—is to make sure that we are going back around that with all the Departments and making sure that they are delivering against it.

Q100 **Chair:** Okay, so under this Chief Secretary it is all going to be swimmingly good.

Darren Jones: I hope that it will be better, at least.

Chair: We will get on to that in more detail; we might have a former Chief Secretary asking questions of this Chief Secretary. In answer to Ms Yang, you talked about having a collaborative process, which all sounds much more lovey-dovey than how some of the Departments might characterise it. Nevertheless, we asked all Departments to send us their spending review bids. I understand that there was an edict around Whitehall that said that was not to happen.

Have you considered being more collaborative with Parliament about the spending review? You have said that, when you arrived in Parliament, it was completely opaque to you how all these decisions are made, and these are the decisions that really set what will happen in our constituencies, for our constituents, for the next three years. Have you thought of working with us a bit more collaboratively in the future?

Darren Jones: I would be happy to consider it, and I recognise the criticism. I think it is true, and I have said it myself in the past.

Q101 **Chair:** Have you changed your mind now that you are in this job?

Darren Jones: Not necessarily, but I would make two observations. One is that there is not just one neat submission. If I think about all the work that we have done over the last six months or so with Departments, you work with the mission boards, they all submit their plans, they work together, they try to think about their delivery mechanisms, and we tried to model the costs and savings around that. That was part of our consideration.

There were then zero-based reviews, on which the Departments did their work with external challenge, and submitted that work. We went through that. Then they made their technical efficiencies and savings submissions, and we scrutinised them. Then there were their actual formal submissions for headroom, which we looked at. As you can imagine, there is quite a lot of correspondence, all the way through the process, that comes in and out. There is not just one product that we would be able to hand over.

Q102 **Chair:** Which we appreciate—but it is partly about the direction of travel, isn't it?



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Darren Jones: Sure. But secondly, I think it is legitimate to need a space for private negotiations. If everything were public, it would make it quite hard to work through that with and between Departments.

Chair: Given that you have been so warm about wanting to work more with Parliament we will pursue that further with you, but I will first pass to a former Chief Secretary to the Treasury.

Q103 **John Glen:** I am delighted that you think you are doing so much better than anything that has come before.

Darren Jones: I don't think I said that, to be fair.

John Glen: I have always been open to my failings in life. Can I get to the heart of what is actually different? There is the mission process, the collaboration and the vexing issue over generations of intractable social problems that need multiple Departments coming together. In the end, it boils down to the accounting officer, the permanent secretary of a Department and the Secretary of State having to justify to their Ministers and to their Department the out-turn from the spending review. That has not changed, has it?

Darren Jones: No. We have not changed the constitutional arrangements where Departments, through their accounting officers, are accountable to Parliament and to their relevant Committees in the normal way. That is true.

Q104 **John Glen:** I recall bilateral conversations, and your depiction of them is correct in that they can be quite intense affairs where there is a dispute over the assumptions, what can be spent and what cannot be spent. I am trying to understand what is meaningfully different in the end. You have departmental settlements at the end of it.

I think you may have tried to assert that the mechanisms for spending that money are slightly different in that the justification is around a mission or a board, but, in the end, the Department has to spend that money and account for it to Parliament and to the Select Committee in the normal way. Nothing has changed, has it?

Darren Jones: I see what you mean. What was different with the mission-led approach were the inputs, the data analysis and the evidence. We were told that Departments genuinely had not come together before to think about how a decision, maybe in the Home Office, would affect the CPS and the court system at a system level. We made that happen during the spending review. There was more of a shared understanding around evidence and plans for delivery. There are certain areas where, in the settlement letters that will now go out to Departments, when we are talking about performance frameworks, conditions or ringfences, there has been pre-agreement around joint delivery across Departments.

But you are right: ultimately, the Departments are the Departments, but we have our mission boards with SRO-level leadership, which are accountable for co-ordinating the spend between them.

Q105 John Glen: But forgive me, Chief Secretary, if you are going to make good on that collaborative approach to the settlement being arrived at, presumably you need distinctly different processes for measuring the progress in collaborative expenditure to outcomes. How much did the core functions that exist across Whitehall and in the Cabinet Office—the advice, the Government property service and so on—inform?

One of the criticisms of the Treasury is that the spending teams sit in isolation and are not infused with the wisdom of cross-Whitehall expertise on what is actually achievable. How do you see those cross-Departmental functions and, going forward, how will you measure the collaborative era of delivery?

Darren Jones: We were genuinely collaborative through the spending review. We worked hand in glove with No. 10 and the Cabinet Office. We used some of the evaluation taskforce's expertise. There were a number of Cabinet Secretary-led deep dives where they pulled senior officials across Departments, predominantly because one of my experiences in the first spending review was the level of disagreement about whose data was right, which drove me mad.

I asked the officials to say that, when it comes to a political conversation, I want a verified view about what we think is true and what we do not know so that we are not wasting our time arguing about the data. The Cabinet Office was really helpful in sitting in the middle of us and other Departments, pulling that together, analysing it and giving us their view.

The other area is major projects in infrastructure delivery. You will have seen that we have brought the Infrastructure and Projects Authority from the Cabinet Office into the Treasury—into NISTA. That happened on 1 June, so we worked with them in the Cabinet Office beforehand and then as they transitioned into the Treasury. In the normal way, those cross-governmental teams looked at delivery assessments, project status and timelines for delivery and gave us a view beyond just the value for money assessment.

Q106 John Glen: We want all of Government to spend money efficiently and demonstrate that the spending review is leading to better outcomes in terms of what the spending does. The question I really want to get at is: do you plan to do anything differently in the Treasury in terms of monitoring the effectiveness of the decisions about where you are spending money collaboratively?

Darren Jones: There is one very niche project that I am personally very excited about, which is integrating finance and performance systems. If that answers your question, I will carry on but tell me if it is not quite hitting the nail on the head.

Q107 John Glen: I hope it will. What I am trying to get at is that you can collaborate in the bit before and allocate to spend money better, but as a Committee we need to measure whether that collaborative spending effort is leading to better outcomes.



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Darren Jones: I will try to answer that in two ways. One, to monitor outcomes and performance management, the Treasury, Cabinet Office and No. 10 are currently agreeing a shared framework so that we are not duplicating compliance requirements across Departments. There will be a whole-of-Government performance framework that we will monitor and hold people to account with between the three of us at the centre of Government. We are doing that work now and will get that set up in time for when the money starts coming online.

Q108 **John Glen:** With regard to the Chair's point about public scrutiny, what will that look like to the outside?

Darren Jones: I do not know; it is a great question. I will need to talk to my colleagues but let us take that away. Maybe that is something that we can pick up.

Secondly, there is an IT project. I was very conscious coming into this job that we did not have real-time sight of what was going on in other Departments. We had to ask Departments to tell us what they were doing, and then they manually upload an Excel spreadsheet to tell us what has happened in the past, not what is happening in the future.

Q109 **John Glen:** Your officials would dispute it.

Darren Jones: It was quite high level. It was really just about overall spending numbers to help us do the whole-of-Government accounts and the Debt Management Office work, but it did not get under the hood of programme-level performance.

One of the projects that I funded in the spending review, and have agreement from the Prime Minister and Cabinet on—I think we wrote to the Committee about it and did a written ministerial statement—is that over the course of this Parliament, we are going to integrate some of the back office IT systems across Whitehall, so that the Treasury has real-time insight into spending and performance delivery across Government. In return, the Treasury is going to try not to impose as many conditions and compliance reporting requirements and free up Departments to focus on delivery—it will be a bit more delegation and trust in return for more transparency.

Q110 **Chair:** When will that be working?

Darren Jones: I am told it is going to take two to three years.

Chair: Easily! That is optimistic.

Darren Jones: I did a roundtable with chief financial officers from big global businesses that had done similar things in their private sector organisations. I said to them, "I would rather do this in a year, but is that normal or not?" and they said, "No, it takes quite a few years to do." We are working with some of those private sector companies to learn lessons about how we can integrate that technology in Government.

Q111 **Chair:** So the Treasury will have its eye on everything all the time, in real time. I am sure Departments are thrilled.

Darren Jones: You would have to ask them.

Q112 **Lola McEvoy:** Moving on to public sector net financial liabilities, or PSNFL—there has been some debate in the Committee about how we pronounce that. In the spending review you state that the new approach will allow for a further £9.6 billion in additional financial transactions, such as loans and equity investments. Can you outline the justifications for that new approach?

Darren Jones: I say “persnuffle” but tell me if you disagree. Essentially, that is our definition of debt, where we move from public sector net debt to public sector net financial liabilities. As the Committee will well know, it means that when accounting we can measure the benefits of our investments as well as the cost of borrowing for those investments.

Measuring the benefit or return on that investment frees up your balance sheet to invest a bit more than you might have done in the past. Financial transactions are very different to capital grant. We give Departments capital grant, and they spend the money in the normal way. With financial transactions, Departments must have the technical capabilities and skillsets through what we call PuFins—public financial institutions—to structure deals with the private sector, normally on an equity or debt basis, where you get a repayment on your debt or a dividend from your equity stake.

Q113 **Lola McEvoy:** In theory, that new model means that some Departments could start making more of an income on those loans and transactions, and that might mitigate some of the other concerns that the Departments might have in the spending review?

Darren Jones: Normally, Departments would use financial transactions because Government borrowing is cheaper than commercial borrowing. Some Departments will use their financial transactions not to make profit; they have to make enough to pay off the cost of the borrowing, but they might have it at a lower-than-commercial rate because that gets the deal over the line in the real world, where maybe a housing project could not happen without us intervening to help get it financed.

Q114 **Lola McEvoy:** On the housing point, as you have brought it up, what is the benefit of using this for housing, apart from getting it over the line? Obviously, the housing demand is huge and we have the 1.5 million target. How did the decision get made on this for housing?

Darren Jones: It helps the Department to do a range of different things to try to drive as much capacity as possible. We have obviously increased the capital grant through the affordable homes programme very significantly, which is where the Department literally just pays for houses to be built—and that is often the best way of getting social or council housing built, which we really care about.

Our new National Housing Bank, through Homes England, will allow more innovative financing solutions for particular projects, where you go in alongside a private sector partner to get a site up and running. It also



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allows them to invest in capacity in the supply chain. If there are small or medium-sized builders, who we think are crucial to delivering on our housing promise, they can use those mechanisms for an equity stake or a low-cost debt investment to help maintain the commercial building capacity and job creation in those parts of the country.

Q115 Lola McEvoy: That all sounds great, but obviously in the past some deals have been done that have not worked out as value for money for the taxpayer. We have had a couple of conversations about the National Wealth Fund and its risk appetite—it needs to de-risk these projects, so there will be some losses to the taxpayer. What is the risk assessment of this new approach for bad deals or financial loss?

Darren Jones: Very specifically, Departments have to have the right capability in place to administer these financial transactions. It will not be me or any of my other political colleagues going around the country doing deals. It is essentially going to be bankers and those with commercial finance expertise within these public financial institutions—the National Wealth Fund, the British Business Bank, GB Energy, when it is set up, and then the National Housing Bank—who will do these deals.

Businesses cases still need to be approved and value for money and meet our requirements. We still provide Treasury consent to UK Export Finance for the deals that it does, so we have oversight and governance of it, but the deals themselves are done by the right professionals in the right place.

Q116 Lola McEvoy: Mr Smewing, I would like to turn to PuFins, which we really enjoy. What scope is there for a better deal for devolution and the combined authorities with these PuFins?

Conrad Smewing: The different public sector financial institutions, or PuFins, have a range of different remits that tend to be more sector-focused. Each of them will be operating in particular regions. The British Business Bank will be looking at loaning in a particular area, and the National Wealth Fund is equally looking at projects that are large and capital intensive, and those will be spread around the country.

There is also scope for them to be working with mayoral authorities on investments in projects that can make returns. One of the other things that we announced in the spending review was a revolving fund for mayoral authorities that can make investments and then make returns. There is quite a lot of scope for financial transactions in general to be used in regional regeneration projects, which will have longer-term pay-offs. All the different PuFins in their own areas will be able to engage with them.

Q117 Lola McEvoy: How much control will the Treasury have over the PuFins, and how much can the Treasury dictate that something needs to speed up a transaction to deliver a mission? How much of a political decision can be made? What checks will there be from your point of view?

Conrad Smewing: As the Chief Secretary was saying, it is quite important that individual project decisions are made based on expertise from people who understand the risks and can make a proper assessment



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of the returns. Where the political direction comes in is saying what streams of investments we are going to make. As the Chief Secretary was saying, we need to make sure that, across the portfolio, they are making enough return to cover the interest on the public debt that is raised to finance them, but that does not mean that each individual programme or project has to.

It could very well be that the right public policy choice is for some subsidy to be inherent in the loan. We will score that and report it separately and transparently, but the political decision to make those loans more subsidised to achieve a public policy aim—it might be in the area of energy efficiency of something like that, where you might want to make a higher subsidy—is a decision that Ministers would take.

Q118 Lola McEvoy: With your position, how much scope is there for some of these PuFins to be based in Darlington?

Conrad Smewing: Many of them have already been established or are based on organisations that have already been established, and so they already have their headquarters. I am sure, to the extent that there are future location decisions being made, that Darlington and the Darlington economic campus would be an important consideration.

Q119 John Grady: I have one very quick question that probably admits a yes or no answer. From Hammersmith and Fulham with interest rate swaps, to local councils and solar farms, the public sector's eyes sometimes light up with investments that could solve all their financial problems, and then they go drastically wrong. Is that front and centre of Treasury's mind in making sure the Government are right?

Darren Jones: Yes. Lots of the situations of the past, where councils were allowed to use the Public Works Loan Board to make risky commercial decisions and then over-expose themselves to debt, and failed commercial enterprises had already been tightened up by the last Government, so we had inherited a framework where we had—

Q120 John Grady: Sorry to interrupt, but in this world of PuFins that we are in now—this really is a yes/no—is everyone very clear that it is for discrete purposes, and not for clever ruses that waste taxpayers' money?

Darren Jones: Yes, and there was a new set of guardrails and guidelines published for the use of financial transactions, I think, at the spring statement.

Chair: Quite a lot of work was done on that in the last Parliament, I remember.

Q121 Bobby Dean: Chief Secretary, we have spoken a bit about the process of a zero-based spending review already, but I am quite interested in the effect of it as well. When the Institute for Government were in front of us last week, they said that it was hard to see much evidence of how it led to important decisions. I think what they meant by that is, you would have expected there to be a list of things that you are not going to do any more as a result of the zero-based review. I understand why the Chancellor did



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not stand up and use her time at the Dispatch Box to list out all the things she did not want to do, but could you give us some examples of programmes that have come to an end because you looked at them and decided that those Departments should not be doing those things?

Darren Jones: I will give you one example, and maybe then, with your permission, talk about the broader process they went through. There was the National Citizen Service in DCMS, which I think David Cameron set up as Prime Minister. Our view and the view of the Department was that it was not really delivering on the youth strategy outcomes that we wanted as a Government, and so the decision was taken to close the National Citizen Service and refinance the new youth strategy and other things the Department is doing.

In terms of the process, we required Departments to do their own zero-based review. That has not happened in 17 or 18 years. They had to submit the outcomes of their zero-based review to us, and in that, they had to highlight the things that were no longer a priority for them and say if they wanted to reinvest that money into other spending priorities in their baseline. We also then required every Department to have their own external challenge panel. Each Department, including the Treasury, had external people who challenged their officials on the level of detail they had gone into and the outcomes of their zero-based reviews. Those documents, though, were internal, and in the end, although there were things we stopped doing, we essentially then reused that money to help deliver against current Government priorities.

Q122 **Bobby Dean:** Was that perhaps a disappointment to you in the process, then? A zero-based review has not happened in a very long time. Presumably, as things move on, you are not going to be able to say, "Well, that's what the last Government did." It will be stuff that you have chosen to continue with. Now, really, was the moment of maximum opportunity to end things that were not effective.

You have given the example of the NCS. That has actually been spoken about for a long time as being ineffective. It is also quite a small money saver, I would imagine. We would have expected to see a list of a lot more substantive things coming to an end. Are you able to provide more examples today, or perhaps follow up with the Committee to give us some real, tangible things that Departments have stopped doing as a result of the review?

Darren Jones: I can give you a couple of other examples. In the NHS, the use of temporary agency staff has been borne down on significantly and money saved in doing so.

Chair: That is more about efficiencies, because that has been a long-term problem. There have been a lot of attempts to try to solve that. That is not cutting a service.

Q123 **Bobby Dean:** There are lots of big Government programmes. Are all of them effective enough to deserve to carry on?



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Darren Jones: The zero-based review process was, yes, looking at things like the NCS you want to do, but it was also looking at savings, efficiencies and productivity that we wanted them to make—it was all kind of in the same thing.

Q124 **Chair:** Mr Dean is specifically asking which Government programmes got axed because you thought they were not worth it any more.

Darren Jones: Another example is level 7 apprenticeship funding for people that had prior qualifications—we have stopped funding those apprenticeships.

Q125 **Chair:** That is from the apprenticeship levy though.

Darren Jones: It is still an overall saving because it is a demand-led spending commitment where we have to give money to the Department. A small example, but big for the Departments, is that the Law Officers' Departments have used digital tools and stopped using human translation services for some of their translation services. There are other examples, but what it meant in practice was, first, it required the Departments to think very deeply about how to improve the productivity of running their services and to make sure that it was geared towards the plan for change and Government priorities.

Crucially, from my perspective, it meant that before we even got to the stage of Departments asking for yet more money, on top of all the money they already have, we were able to re-gear a chunk of their baseline towards the priorities of this Government. So it helped us with what was a limited amount of headroom.

Bobby Dean: We would probably appreciate more detail in follow-up because it was a real moment for change, as was pitched to the electorate last year, and a lot of the things that you have said so far feel like they are at the fringes of things. I think it would be useful to see the evidence of big change. Moving beyond that, slightly—

Q126 **Chair:** Just before Mr Dean moves on, do you have an idea of the global figure for projects that were axed? As he said, some of those things were quite small fry. Changing to digital translation services cannot have saved a lot of money.

Darren Jones: Each Department obviously did a different amount of work, so we would have to ask the Departments to offer up that detail.

Q127 **Chair:** But you must know. You will have a figure somewhere in the Treasury for each Department on what was cut and what that meant for baseline savings.

Darren Jones: The figure that we have published is the total figure that includes technical efficiency savings and then reprioritisation. So we have the total figures, which we have published. We have the assessment.

Chair: But Mr Dean is asking specifically.

Q128 **Bobby Dean:** It is about prioritisation, basically. If we could see a



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breakdown of prioritisation by Departments that would be really appreciated. I also wanted to move on to the things that are obviously outside the scope of the zero-based review, but some have argued—indeed, last week the Institute for Government argued that we should take this into consideration. You have the annually managed expenditure. I know you have talked about that being demand-led, but clearly you can make adjustments to that, as the Government's proposing to do on welfare, for example, to tighten the criteria for people to be eligible for certain benefits. Could you explain to us why this was not the moment to look at AME as well?

Darren Jones: AME assumptions are based on the OBR forecasting the demand of any spend, and there was not an OBR forecast with this spending review because it was not a fiscal event. That is why we did not have an AME forecast. We do not set AME budgets at the spending review. The next time that will happen will be at the Budget at the back end of the year.

Do we internally have to take an assessment where it is relevant and where there is an interplay between departmental budgets and AME? Yes. Let me give you one example: in MHCLG we were looking at the rate of rent increase that social housing providers can provide. We committed to do a consultation on something called rent convergence—the different levels of pricing between housing association houses. That is an AME forecast issue because of the housing benefit we pay, but it was linked to some of the ambitions of the Department in the spending review. So that is an example where you take a joint view, but the ultimate decision—such as the consultation on AME consequences of housing benefit—is still taken at a Budget, not at the spending review.

Q129 **Bobby Dean:** So it is taken into consideration. Another example is the non-structural tax reliefs that are out there. There is an argument that they should be taken into consideration when making these assumptions. You will be aware that many of these reliefs are not properly reviewed. I think there are about 1,200, and only about third of them are regularly reviewed. Do you think there is a case for reviewing all the tax reliefs issued by the Treasury, making sure they are effective and having a zero-based review of them?

Darren Jones: I think we should always look at what we are spending taxpayers' money on, whether it is lost revenue or direct spending. We did not do a tax benefit review in the spending review, but my colleague James Murray, who does tax policy for us in the Treasury and with HMRC, is looking at these issues, and that will ultimately be a Chancellor decision at a Budget as opposed to in the spending review.

Q130 **Bobby Dean:** So we may see a zero-based review of tax reliefs in the future.

Darren Jones: I would need to check with James Murray whether it is a zero-based review or not—I do not know—but it is something that, of course, we want to keep under consideration.

Q131 Yuan Yang: To follow on from Mr Dean's point on tax reliefs, many non-structural tax reliefs are meant to have the same kind of impact as other spending that would be departmental spending within the review—for example, R&D tax credits are meant to stimulate R&D, but we know very little about their actual impact on R&D. I appreciate your description of the ministerial division of labour between you and James Murray, but do you see the issue that Mr Dean was pointing to with this arbitrary distinction, which means there is not a proper review of the impacts of what is effectively taxpayer spending?

Darren Jones: I see the challenge. My answer is that it will all come together through the OBR forecast process, pointing into the Budget. Any work that James Murray and the team do on tax obviously is never announced at a spending review; it is always announced at a Budget, and we talk to the OBR about that in the run-up to the Budget in the same way that we would do about spending on policy decisions, which I am responsible for. Do I agree with you that in the round, we should be looking at all these things and making sure we are getting value for money? Absolutely, I agree with you on that. I know James is looking at these issues, but it was not something that we baked into the spending review process.

Conrad Smewing: When we are looking at departmental expenditure in particular areas—R&D tax credit is a good example—we are looking at the whole policy picture. Although I have seen the IFG suggesting that you ought to do it all together in the spending review, in fact, if you are making these considerations in the Budget beforehand that sets the envelope, and you are taking those things into account when setting DEL budgets in the spending review, you are able to make those trade-off decisions that they are talking about. As the Chief Secretary said, decisions on the social housing AME budget, which were policy decisions that were relevant to the housing budget, were all being taken into account when we were working with the MHCLG on its housing settlement.

Q132 John Glen: How do we, as a Committee, and the public verify the added value of the Office for Value for Money, given that its advice to you is private?

Darren Jones: That is a good question. We could provide more information to you if you would like to have it. The Office for Value for Money—I think your Committee has taken evidence from it—is a temporary function. It is not going to become a permanent function in the Treasury.

Chair: It is definitely not going to be permanent—it will end in October.

Darren Jones: Yes, as far as I am aware, unless someone else decides otherwise. It is a small team—I think it is about 15 in total.

Chair: We did a report on it.

Darren Jones: They provided an enormous amount of added value from my perspective, because we were able to dispatch them to do particular



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studies across Departments. They were able to go and talk to officials and permanent secretaries in other Departments. They provided that extra layer of pressure and accountability, especially on technical efficiencies and savings. At a time when we were doing an enormous amount of work with the spending review, the infrastructure strategy and all these things, I felt that that added an enormous amount of value to my work, so I was very grateful to them. In terms of how you measure that, I would have to take your questions.

Conrad Smewing: I think the intention is for the OVFM to produce a final report when it wraps up, and it has been working on what an evaluation plan for its impact would be with the ETF. The intention is for that evaluation to be done, and I will come back on it.

Q133 **Chair:** It was our recommendation to have an evaluation—

Conrad Smewing: Yes, I think they accepted it.

Chair: And if there is going to be an evaluation, we need to see it. There was a very long letter that was written by the head of the Office for Value for Money to the Comptroller and Auditor General, but which, as Mr Glen highlighted, included the fact that it is all private advice to the Chancellor. This was vaunted as a great way of showing efficiencies in Government, so if you could share more with us, that would be fantastic.

Darren Jones: We published some information, I think, in the spending review document.

Q134 **Chair:** Well, the letter was very clear that much of this advice is private advice to the Chancellor.

Darren Jones: There are meetings that we have on a fairly regular drumbeat. As I say, a lot of my meetings with the OVFM were to understand where we were dispatching them to do what pieces of work and then to receive their analysis about what they thought we might do differently.

Q135 **Chair:** What did those 15 people bring that you could not have got from the spending teams—

Darren Jones: It wasn't 15 people who came to me; it was about, I think, three or four, but they have other people to help them.

Q136 **Chair:** Yes, but they only had a very small staff, as we highlighted in our report, so—

Darren Jones: Yes, but take, for example, the work on mega projects, which built a lot on the work that the NAO and previous Committees in Parliament had done. We adopted their recommendations, alongside the James Stewart review, on the governance of mega projects and how we are going to take a different approach to oversight, going forward. That was an example where they were able to get across all the Departments during the spending review period, get to a point of agreement and allow



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us to get on with the work. It was those types of updates that they were giving us.

Conrad Smewing: John Glen was referring earlier to the importance of getting expertise from people who are not classic Treasury officials of the kind that—

Chair: You are.

Darren Jones: He's very good!

Conrad Smewing: No comment.

Chair: If it looks like a duck and quacks like a duck—

Conrad Smewing: Having someone like David Goldstone, who has deep experience of running mega projects like the Olympics and of running efficiency programmes, having that kind of alternative point of view and challenge to Departments, is very valuable and is not something that necessarily Treasury officials are brilliant at doing when they're—

Q137 **John Glen:** Mr Smewing, I will just put it on record that I never had a problem with the work of your team and did not feel the need for additional advice.

Conrad Smewing: Very kind.

John Glen: But can I ask one further tight question on the departmental delivery plans? They have identified, I think, annual efficiency savings of £14 billion by 2028-29. How will it be verified that they have been achieved? What is the tangible, clear evidence that that number will be met by that time?

Darren Jones: You will have seen that we published the efficiency plans at the spending review. This is where for the first time, I think, we have published what the Departments have told us about how they are going to achieve their efficiency targets. As I say, the Office for Value for Money have gone through this with them through the spending review process, and these went through a few iterations. Some Departments' initial submissions were not good enough and they had to do more work, so it has been quite a rigorous process for them. Our job, in line with the rest of the spending review, is now to hold those Departments to account on their delivery, and between the spending review, as part of the Centre of Government Team—this will just be part of the general drumbeat of checking in and seeing how they are getting on.

Q138 **John Glen:** What happens if they don't?

Darren Jones: If they don't, there are implications for their budgets, because they have assumed they can be more productive and they want to then put that money towards other priorities. The spending review is settled. We are returning to the right position, where the reserve is genuinely only for unexpected—

Q139 **John Glen:** They would have to find cuts in other line items within their own budget, because no other money is available.

Darren Jones: The Departments have to live within the budgets that have been set, so they are incentivised to crack on with these reforms. Where up-front investment was required to enable them to do this, we have put that money in, including through the transformation fund. So I don't think there are any excuses for not getting on with this. And ultimately, if Departments choose not to prioritise this, they are going to have to deprioritise something else.

Q140 **John Glen:** Gemma Tetlow from the IFG talked about the uniform 10% administrative budget cuts. If you are doing a zero-based review, as Mr Dean said, it is a holistic opportunity to consider first principles: what are we doing and what are we not doing? How do you justify what appears to be, and what Ms Tetlow appeared to say was, a universal 10%? Why not 15%? Why not 5% for some Departments, given their historical performance, and 20% in others? Can you explain the thinking behind that, please?

Darren Jones: On the technical efficiency savings and zero-based review, that was a kind of spending-review, top-down process. The admin budgets are more of a good housekeeping target, where we expect Departments to be thinking really carefully about specifically their administrative costs, not delivering frontline public services—

Q141 **John Glen:** Why the universal 10%?

Darren Jones: Because we thought, based on performance from across Whitehall, that was a sensible target. As you say, some Departments have been better than that in the past. The NHS, for example, is already doing quite a good job in projections on that spend. Then, there are some Departments—particularly the small Departments that we kind of lump together—where, if there is just an admin function as opposed to no programme spend, we have agreed some slightly lower numbers with them. But in aggregate they will be delivering the right output.

Conrad Smewing: I think you can slightly overegg the extent to which it is a blanket 10% cut. If you look in detail at the table, you see that some of the larger Departments are delivering more, because there is more scope for them to do so. For example, I think that HMRC is delivering 13% up to 2028-29.

It is also the case that the increase in admin budgets that we have seen since about 2015 is quite broad-based; there was about a 40% increase in cash terms in admin budgets from 2015 to 2025. So, there was scope to make reductions everywhere.

It is also obviously the case that if you set a benchmark in the way that we have set a benchmark, that is one way of focusing minds. It is not that surprising that a lot of people are close to that benchmark, but I do not think it is the case that it was just a sort of blanket cut.

Q142 **Bobby Dean:** We are going to focus on a specific Department now—



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health. We had a striking statistic last week that about 90% of the real-terms increase in day-to-day spending spent by Whitehall, which is quite specific, is going to the Department of Health and Social Care. We have also heard in the past on this Committee from the Governor of the Bank of England that productivity in the NHS is down massively—maybe as much as 17 or 18%—since the pandemic. So, this feels like a pretty big bet and almost as if the entire spending review hinges on the Government's ability to turn the NHS around. Is that the biggest risk of the spending review—that the NHS continues to underperform on productivity and it blows the rest of the spending review out the window?

Darren Jones: The NHS budget, by its very nature, is always the biggest, or one of the biggest, in a spending review settlement, just because of the size of it. As a Government, we have obviously prioritised getting the NHS back on its feet. You have seen that in the plan for change, which is why the NHS got a bigger slice of the pie than other Departments. We think that is a priority for the British people, which is why we have put money in there specifically.

The Department has a commitment in the plan for change on the elective backlog and waiting lists, so it will be working particularly to drive that down. But alongside that, there is the 2% a year productivity target, which is a tier 1 priority for the Department.

Q143 **Bobby Dean:** Is that realistic, though? Given the significant underperformance of the NHS in terms of productivity for a long time now, and not without the efforts of people trying to fix it, is it realistic that you are going to be able to meet any of the Government's objectives on the NHS, with that productivity being where it is?

Darren Jones: I think the productivity targets are realistic. If you look at acute services at an NHS England level, at the moment they are already above 2%. So it can be done.

I am not saying that it is easy; it definitely is not. But you have seen a lot of action from the Health Secretary and the team on NHS England and the integrated care boards. There is particular investment around technology and capital to improve productivity, building on the evidence that Lord Darzi produced for the Government in the Darzi review. And there is going to be a lot of reform that has to happen in the NHS. As I say, it is not easy, but we think that we have a credible plan for getting on and delivering against our targets.

Q144 **Bobby Dean:** I guess the question is not just about whether it is easy or difficult; it is also about whether what you have set out to do will be enough. I think that it is about 3% real-terms growth that you have predicted and that is assuming that the 2% inflation figure holds as well. But that is actually down on the post-war average of 3.6%.

Many NHS leaders who I have spoken to have been saying that a lot of this uplift will get swallowed up by increases in pay and will not go towards addressing some of the fundamental productivity problems that the NHS has, in terms of not having enough bed capacity, not enough diagnostic



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equipment and not enough management, actually. So, are you concerned that some of those big productivity problems are not going to get addressed by this uplift in funding?

Darren Jones: No, I expect them to be addressed. A 3% increase is below what I think is the long-term average of 3.5%, but it is still a huge increase. And in cash terms it is by far one of the biggest increases for public services across—

Chair: The current acting head of NHS England, sat in a Committee room on this corridor a few years ago, was very clear: it is 4% a year just to keep the NHS standing still.

Q145 **Bobby Dean:** Because of the demand pressures. Even though it is more money, and it is absolutely welcome, such is the pressure and demand on the NHS, and such are the productivity problems that have been allowed to fester for so long, it may not be enough. Given its significant role in the spending review, it could sink the rest of the spending review if it does not work out.

Darren Jones: The key thing there is the productivity challenge. It may be 4% on the then levels of poor productivity. Evidently, we do not want to keep funding a broken system. We want to invest to fix the system and that is why the productivity target—

Q146 **Bobby Dean:** But would we not then have expected to have seen a higher relative capital spend in the NHS? It was not as significant as other Departments. If you do that, you will be able to invest in the sorts of equipment and bed capacity that might go to fix the productivity problem. But also, R&D spend was, I think, down overall by 3.2%. We have spoken about the importance of R&D in driving productivity, too. Is the spend in the right areas, or is it all being swallowed up by wages?

Darren Jones: First, on capital, remember that the Department got a big uplift in 2025-26, which was baselined, and then you have the commitment from 2026-27 onwards. So, in cash terms, I think there has been a doubling.

Conrad Smewing: A 20% uplift. If you look over the whole spending review period, the health capital budget is growing by about 3.2% a year in real terms.

Q147 **Bobby Dean:** It is where the capital is spent, though, isn't it? We mentioned crumbling infrastructure and we know we need to fix our hospitals. I would love my hospital to be fixed sooner than it is planned to be, but that is not hugely productivity enhancing. It has some effect, but there is other stuff that we could be spending money on that would have a much larger effect in terms of productivity that we do not seem to be doing at the moment.

Darren Jones: There is a specific fund for technology capital, which is to drive productivity. Again, that is one of the key outcomes from the Darzi review. We also made a commitment, including a post-spending review commitment in the infrastructure strategy, on long-term stable



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maintenance budgets for fixing up existing buildings, as well as the commitment we previously made on the new hospitals programme and the rate of investment for new build. Specifically, on the R&D question, we can double-check the detail, but I think it looks like a bit of a drop predominantly because of the ODA R&D that the NHS spent previously, which has fallen in line with the overall decrease in ODA spend across Government.

Q148 Bobby Dean: Another big productivity issue is about patient flow and a lot of that has to do with adult social care. Clearly, the reforms are not going to be here anytime soon. I think the review by Baroness Casey is only just beginning and will not report back, in an interim fashion, until next year. Is that a major risk to the spending review as well—that we do not get on with reforming social care quickly enough? Is that something that needs to be brought forward to achieve your ambitions?

Darren Jones: Reforming social care is a necessity. The Government recognise that it is also just very complicated. This spending review, you are right—

Q149 Bobby Dean: Lots of people have looked at it before, so this is not a novel thing that social care is a problem. Lots of people looked at it in depth before and lots of people in the industry would argue that we do not need to wait three years to work out what to do. We just need to start making decisions and get on with it.

Darren Jones: I understand. I would just point you to what the Health Secretary said about the last review and the last policy proposals from the former Government which we were not able to implement. I just point you to his words about why, specifically, we did not agree with that. As you have alluded to, we have asked Baroness Casey to do a two-step review for us. The interim review, which will come in the next calendar year, is trying to answer the question: what reforms can you do on the current budget, because of course there must be ways of doing things better based on current levels of spending? And then the second half of the review will point to the next spending review, which will raise the question for us about whether, as a proportion of public spending, we need or want to put more into social care. But that will be a decision for the next spending review.

Q150 Dame Harriett Baldwin: I notice that in the Office for Value for Money's efficiency plan for the NHS, it refers to sickness absence. What is your view on sickness absence in the NHS?

Darren Jones: I am not sure I have a particularly developed view, so you might have to ask my colleagues in the Health Department. I suppose the points I would make are that we inherited a healthcare workforce that had been repeatedly on strike and had felt completely ignored and undervalued. People were not working with them to try to invest and fix the NHS to allow them to deliver the public service they all went into work to deliver.



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We were very clear, coming into government, that we wanted to reset that relationship, albeit recognising the challenging fiscal circumstances we faced. We agreed to the initial pay review body recommendations, and we have now set out the pay review body recommendations for this year ahead of schedule, compared to how pay was done in the past. There is a whole detailed conversation with the Department of Health about the 10-year plan, which will be coming out soon. That will answer many more of the questions. We think that wellbeing and, as a consequence, levels of sickness for our healthcare staff is a problem, which is why it is in here. We are working hard to make it a better and more productive place to work to try to avoid that continuing.

Q151 Dame Harriett Baldwin: In terms of the scoring, that is a significant line item in your spending review. Something like £9 billion of the £14 billion of efficiency savings come from that one area alone, so it would be helpful to get some more detail of your view, perhaps in writing to the Committee.

Darren Jones: No problem. I think that the main place for that will be the 10-year plan. When that is published by the Department of Health, that will be the place to look.

Q152 Chris Coghlan: The US is disengaging from Europe, and it is entirely conceivable that Russia could attack Estonia and test article 5 with "little green men" if there is a ceasefire in Ukraine, so why have the Government not committed to reaching their 3% defence spending target by the end of this Parliament?

Darren Jones: I think we are being very forward leaning in defence spending, with significant increases in the defence budget to recognise the fact that we have very challenging geopolitical circumstances and a need to increase investment in our defence capabilities. That is why, in this spending review, we fully funded the Government's commitment to get to 2.6% by 2027. Of course, the next stage of the commitment is after the next election, so that will have to come in the spending review in 2027.

Q153 Chris Coghlan: Of course, I am delighted that you have increased defence R&D. Is that a very good way of increasing economic growth?

Darren Jones: Yes, and the Chancellor was very clear when we announced our initial policy intention to increase spending on the Ministry of Defence, that we wanted to make sure that we were spending this money in a way that generated the best opportunity for UK plc and UK jobs, so certain commitments in the overall spending are on R&D, support for novel technology and support for UK businesses, alongside some of our broader investments in particular places across our country that support our defence industry, in skills and housing and those types of things.

Q154 Chris Coghlan: We heard earlier about HS2. You are spending roughly £7 billion a year investing in it. Last week, we heard from economists that the economic benefit of it is potentially negative, once the financing and capital costs are knocked off, because a railway is already there. By my calculations, we need to increase defence spending by roughly £10 billion



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to get to 3%—that would get us most of the way there. By your own numbers, we will have £7 of economic benefits for every £1 on R&D, so why are you not scrapping HS2, putting most of that money into defence R&D and adding £50 billion a year in economic benefits over the long run?

Darren Jones: If only it were that easy. The challenge with HS2, of course, is that we have lots of existing contractual requirements and an enormous workforce of people. The commercial leadership failings of HS2 are not the failings of the workforce, who are working hard to develop the line. We would not stop, overnight, funding for HS2 in that way, not least because of compensation requirements for breach of contract for all the supply companies, and a significant number of people in the labour market who suddenly did not have work to go to the next day. There are obviously implications for the Exchequer in that, but I recognise the point you are making, which is that HS2 is a significant amount of money.

Would we have wanted to inherit the project in the state it was in? Absolutely not. But we do have to get a grip on it and finish the job, which is what we are going to do. That does just mean that there is less capital budget headroom available for other things. That is an implication of it.

Q155 **Chair:** The Ministry of Defence has not always had a great record at delivering on budget, on time. How will you make sure that that money is going to be well spent?

Darren Jones: We have set up a couple of new Whitehall functions with No. 10 and the Treasury to look at how the Ministry of Defence is spending its budget, which I think is new. We have something called the defence oversight board, which the Chancellor chairs, where we look specifically at how money is allocated and spent against the agreements that we set up for the additional increase in the overall budget.

We also have a function of the growth mission board, where we look specifically, with the Department for Business and Trade and MOD, at how we can get the best commercial industrial strategy benefit for UK plc. We have therefore set up new mechanisms, new levels of accountability and more close working between Departments to make that better.

Q156 **Chair:** Defence is there, we spend it, we hope we are never going to use it. With the urgent international situation, we can obviously see the arguments for putting in more money. There can be a tendency to think that the money will flow because we need to do it regardless. What real teeth have you got to ensure money is not being wasted in procurement and delivery?

Darren Jones: The budgets we have agreed are the budgets that are set.

Q157 **Chair:** And if they don't meet them? We know that things happen; pressures happen. If you have got to meet a deadline or deliver a capability, you cannot keep waiting. There have been times when things were pushed to the right and we had aircraft carriers without aircraft. Had we been in the situation we are in now—and there are many other examples I could cite—we would be in a difficult position. How are you



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going to ensure they do not just think, "Oh well, it's all right if it goes wrong, the Treasury will just give us some more money out of reserves"?

Darren Jones: If you were to ask the Ministry of Defence that question, they know we are not in that place. We just have to work hard to ensure we do not end up making the same mistakes as in the past. I recognise it has been a challenge for many Governments over many years.

The Defence Secretary is the first to recognise that the increased amount of spending in his Department is consequential for all other public services. He has a responsibility, as does his Department, to ensure that we are spending that money in the best possible way, because it means there is less money for other public services. That is the decision we have made. We have got these new checks and balances in place.

NISTA, which now reports to me at the Treasury, will continue to provide assurance of defence projects. We are going to be much more hands on, especially round some of these bigger projects around repeated levels of overspend. We just have to ensure that we maintain those relationships of checks and balances and accountability.

Q158 Chair: So it is the tough hand of the Treasury very much on the Ministry of Defence.

Conrad Smewing: As the Chief Secretary was saying, the Ministry of Defence and the Defence Secretary are very seized of the importance of this. They have an extensive defence reform programme, which is about taking more direct control into the centre out of the individual top-level budget holders. They will be publishing their full defence reform and efficiency plan in the autumn, alongside their defence investment plan, which is essentially how—

Chair: You've got lots of plans. Mr Smewing, forgive me for being a bit cynical, but I have seen the plans and strategies—the commands versus the centre, the centre versus the commands—for years. For over a decade, we have seen the gap between the money available and the money that is needed. It is work in hand. It sounds like it is all going to be fine now because the current Chief Secretary is in charge. We will come back to him on his confident approach, perhaps in a few months' time, to see how it is going.

Q159 Yuan Yang: Local government is responsible for many of the cross-cutting objectives within the Government's missions. When it comes to cross-cutting issues such as social care and SEND, how do you decide what spending is allocated between, say, education, health and social care and local government?

Darren Jones: That will largely be dealt with through the mission boards and, where it is not directly relevant to mission boards, through what we call the small ministerial groups, where the teams come together. As part of submissions from Departments, for example on SEND, you obviously provide funding in the core school budget in the normal way. We have given some transformation funding to the Department for Education.



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When the Education Secretary comes forward with her proposals for improving the SEND system, we will evidently work with her Department to ensure that is teed up across the relevant Departments.

Q160 Yuan Yang: On SEND funding, the incoming head of the IFS told us last week that that was the area where the greatest unmet needs were opening up, particularly with projected future demand and the current funding available. Do you see that as an issue? Do you also see the increased devolution of funding responsibility to local councils, which are increasingly cash-strapped, as an additional pressure on delivering SEND measures?

Darren Jones: I think we all agree that the SEND system is not performing well for children, young people and their families who rely on it. As constituency MPs, we will all have casework where we know the system is not functioning properly. It is right that the Education Secretary wanted to fix the SEND system, and has plans to be able to bring that forward. As we talked earlier about local government financing, we know that is a particularly big pressure on local authority budgets. If we can get that system fixed and done properly, that would be a huge fiscal relief for local councils to free up the burden of that.

We think we have set a good settlement for the Department for Education. We have made allocations from the transformation fund and we have supported councils. We then have to get on with the work of reform, and the Education Secretary will publish proposals on that in the months ahead.

Q161 Yuan Yang: How confident are you in the ability for reform to drive improvements in SEND, particularly when the education budget—taking out the free school meals policy—is flat in terms of spending rises?

Darren Jones: I think we are teed up for success on reform. SEND is a complicated area, and we are very conscious that each individual person is unique—it is sensitive for them and their families. It is not an easy area of reform, but it would be wrong for the Government not to want to invest in improving the system, given that we know that it is failing many people across the country.

Q162 Rachel Blake: The spending review had a box in it that said that the OVFM would be reporting on temporary accommodation. The terms of reference say that it will be published in June. When are we going to see the report?

Darren Jones: I was going to say “in due course”, but that is a bit of a cop out of an answer.

Chair: June finishes on Monday.

Conrad Smewing: For the temporary accommodation element of the OVFM’s work, the Home Office and MHCLG are still engaged in live policy development, thinking through how to work through the principles that the OVFM has been looking at. Once that work is completed, I am sure that the report will be set out at that time.

Q163 Rachel Blake: Collaborative info sharing for you: the terms of reference say that the policy development section would take place in March. This is something that London local authorities are spending £4 million a day on. If as much of a project management approach as possible could be applied to that, it would be very beneficial to public finances.

We are trying to understand the relationship between AME and DEL for the housing benefit temporary accommodation subsidy within local government. We know that local governments are subsidising, to the tune of £700 million based on LGA evidence, their contributions to temporary accommodation. That is over and above the housing benefit temporary accommodation subsidy that we think comes from AME and DEL. Can you clarify what is coming from annually managed expenditure and what is coming from the delegated expenditure limit?

Darren Jones: I might need to write to you with the answer to that, just so that I do not give you the wrong answer.

Rachel Blake: That would be really helpful.

Darren Jones: We agree that temporary accommodation procurement across the piece is not being done well enough. We know we have got different Departments bidding against each other for the same properties in parts of the country, which is just driving up price. We know it is a real challenge for local authorities at the point in the process where they play their role, around the dispersal of people who need temporary accommodation in their places. As you alluded to, OVFM has done some work on that and has some proposals. Once we have figured out precisely who is doing what between MHCLG and the other Departments, we will be able to say more about that. On your technical question about AME and DEL numbers, let me take that away and we will write to you with the answer.

Q164 Rachel Blake: The reason that is matters is how it flows through the spending review, but also how it flows into local government spending. It is a huge brake on local government spending, which is then driving the overall demand for local government spending. Do you agree?

Darren Jones: Yes, I agree with the diagnosis of the problem; I just cannot give you the specific numbers.

Rachel Blake: That is fine—as long as we are agreed about the diagnosis of the problem.

Q165 Chair: We talked about the Home Office budget being cut, but the Home Office and Local Government were bidding against each other for temporary accommodation.

Darren Jones: Exactly, and that is one of the problems for them and then collectively for all of us. As Conrad was saying, we are trying to update the approach the Government takes to how it procures temporary accommodation to avoid that competitive bidding pressure between Departments. That is the bit where we have got a little bit more work to do to make sure everyone is happy with who is going to be doing what.



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Chair: It sounds so simple.

Darren Jones: Well, is anything?

Q166 **Chair:** Well, no, but the way you say it, it sounds like you have just got to tweak something and it will all be fine. When is local government going to get the benefit of this?

Darren Jones: We will be able to tell you when we have figured out who is going to do what and on what basis, which, as I say, we are not in a position to confirm today.

Chair: We look forward to this report in June—or whenever.

Q167 **Rachel Blake:** As if you needed more encouragement, I will refer you to the LGA report on this: local government spends £700 million, which, if we were procuring it more effectively, could be going into other things.

Chair: It is £54 million a year in my borough alone.

Q168 **Rachel Blake:** Let me move on to another solution to the problem: the £39 billion for affordable housing. Is that enough, and is it significantly above what was previously committed?

Darren Jones: It is definitely significantly above what was previously committed. We are putting more money specifically into the affordable homes programme because the Government is committed to making sure that, as part of our 1.5 million homes target, we are making particular progress on affordable and social housing. The best way to guarantee that that happens is essentially to pay for it, which is what you end up doing through the affordable homes programme. That is why we have increased the pot of funding as much as we have, but also given some longer-term certainty on the availability of capital through the programme.

Q169 **Rachel Blake:** In a very different era—2008—there was an £8 billion programme. Given the levels of build cost, inflation and land value, I think we should consider the scale of that programme compared with the scale of this programme.

Darren Jones: What do you think it should be now?

Rachel Blake: More. We should make sure that we are comparing those two things.

Chair: It would be cost-effective if more people were in decent social homes. There would be less cost to the NHS and so on.

Q170 **Rachel Blake:** I want to talk a bit about the distribution of that spend. Who is in charge of whether the £39 billion goes towards social housing, affordable housing or intermediate housing?

Darren Jones: It will be for Department to decide. We have given them their overall spending envelope for the affordable homes programme. They obviously set the parameters for which money can be drawn down from the programme. We have just extended the existing scheme design

by another year, and then the Department itself will need to set out whether it will continue on the current terms or plans to change that.

Q171 Rachel Blake: Do you think the Treasury might have a role in terms of value for money?

Darren Jones: They will definitely tell us what they want to do, and we will need to approve that in the normal way. But we have not got to that stage yet.

Q172 Rachel Blake: Okay. "Affordable" rent is not affordable in most of the country. I would argue that the Treasury should have a view on the overall value for money of how that money is spent and who decides. What scope is there for the Treasury to influence who decides where the £39 billion is spent?

Darren Jones: There are two things that we came to a point of agreement on in the spending review. One was the agreement on having a rate of CPI plus 1% over a 10-year period so that housing associations are able to borrow against their projected rental income in a way that allows them to build more properties. That has been an ask of the sector for a long time, and we have committed to it.

The second big ask that they had was around convergence. As I know you will know, different tenants are paying different rates in the same area, and housing associations want, over time, to be able to level them up. That has a direct implication on the Exchequer, because we pay about 60% or 65% of the cost of the rental payments, which then go to the housing association through the AME budget. We have to make those decisions in the round at a fiscal event in the autumn.

Q173 Rachel Blake: Could you describe how the £39 billion interacts with the National Housing Bank?

Darren Jones: That is separate. The £39 billion is capital grant for the affordable housing programme, so that is just the Department spending money itself. The National Housing Bank is going to be financed with financial transactions capacity, which it will be able to use for debt or equity agreements with private sector partners in order to get houses built in particular parts of the country.

Q174 Rachel Blake: So they are entirely separate. At an operational level, who decides the extent to which those two sources of funding can be used together?

Darren Jones: The National Housing Bank will be an extension of Homes England. It needs to be set up, and people need to be brought in to run it. They will work like other public sector financial institutions: either they will have a mechanism for bids and requests from organisations, or people will come to them and ask them to help finance their deals. That will be led on the basis of normal commercial negotiations, the risk appetite that we give them, and the rate of return that they have to have on those financial transactions. That will be separate from what Ministers might decide in terms of the design of the delivery of the affordable homes programme,



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but we would want the Department to step back and make sure as best as possible that that is being done as coherently as possible.

Q175 **Rachel Blake:** Has the Treasury done a value-for-money assessment of the overall amount that is being spent on private rent and temporary accommodation through housing benefit, compared with the overall investment in new social housing through grants?

Darren Jones: I do not know if we have done a particular study that we can publish.

Conrad Smewing: I am not aware that we have done a specific study, but one of the things that we think about when we are thinking about the value for money of investment in the social housing capital programme is the potential for it to make savings—they tend to be slightly longer-term savings.

Q176 **Rachel Blake:** You are thinking about it—that's great. That is a good first step.

Chair: Will you do something about it?

Rachel Blake: Would it be a good idea to have some numbers that could inform your thinking?

Conrad Smewing: The difficulty is that the time horizons that we are looking at are quite long. Certainly, we can look at what sort of estimates you could make over that period. I know MHCLG also thinks very actively about this and works with DWP on it.

Q177 **Chair:** Their own figures show that the best value for money in housing comes from social housing. Investment in bricks and mortar is actually better value for money, presumably taking into account the housing benefit payments. The National Audit Office has produced a very handy graph.

Conrad Smewing: That is one of the reasons that there is a big increase in social housing in the spending review.

Darren Jones: I suspect that we probably agree with that, which is why there is such a focus on social housing through the affordable housing programme uplift.

Q178 **Lola McEvoy:** I have a very quick question on the Office for Value for Money reports, and the choice of the two reports. I love the Office for Value for Money and think it does a great job, but I am interested in why it was limited to only these two reports on this fixed-term contract when, as we are hearing from the Committee today, there are clearly lots of social issues that it could have examined.

Darren Jones: The Office for Value for Money was purposefully set up as a temporary function. That does not mean that we are not going to learn any lessons from it. Obviously, the Treasury has its own admin budget targets, and we are thinking about how we reshape our own functions within the Treasury. One of the things that we have committed to, which I



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think was originally an IFG recommendation, is that between spending reviews we will routinely do deep dives and studies. The Treasury, working with Departments and the Cabinet, will pick a topic and do what we have done with temporary accommodation and mega-projects. That should become a regular drumbeat of work, but we are going to mainline that into our Treasury officials team, as opposed to continuing to fund, on top of that, the Office for Value for Money.

Q179 Lola McEvoy: I am interested in the devolution focus in the spending review. That is great news for areas like mine—Darlington and the north-east. Everybody outside London was cheering you on when we heard the devolution agenda. What are the key differences between the last Government's devolution agenda and this Government's approach?

Darren Jones: There is a point of agreement around the role of combined authorities, and supporting mayor-led combined authorities as an approach to devolution in England. We agreed on that on a cross-party basis. That is why we have kept them and are continuing with them.

We are developing the models for delivery with combined authority mayors. You will have seen that we have given Greater Manchester and the West Midlands, the first two most developed combined authorities, their integrated settlements. That has long been an ask for people who are pro-devolution. Instead of the Treasury and all the Departments giving them 150 individual bits of money to deliver particular things and telling them how to do it, we are saying, "Here's a number for your budget, and here's an outcomes agreement. It's up to you to decide how you want to deliver those outcomes, but you have to be accountable for that, based on your budget." That gives them a bit more flexibility.

All the other combined authorities want the same thing, which is understandable, but we have a process and a set of criteria that they have to meet in order to meet the threshold for us to hand over that integrated budget and allow more flexibility locally. They are all in the pipeline of building up that capability and those requirements to be able to have them.

Q180 John Grady: Scotland has higher public spending than England, but Shona Robison, the SNP Cabinet Secretary, has criticised the spending review for leaving Scotland "short changed". What is your response to Shona on that?

Darren Jones: I am seeing Shona tomorrow for our regular finance inter-ministerial with devolved Government Finance Ministers. I am not entirely sure why she thinks she has been short changed given that it was the largest real-terms settlement since devolution began. From our perspective, the UK Government has given the Scottish Government more money than it has ever had, and we think it should be getting on with the job.

Q181 John Grady: As you are seeing the Scottish Government tomorrow, in Glasgow city region and the Clyde, there is obviously investment in the city region deal in the spending review, and investment in the Glasgow



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military shipyards and the nuclear deterrent at Faslane. How is the SNP Government co-operating with the UK Government to maximise the benefit in terms of jobs and economic growth in the Clyde region in those really important areas?

Darren Jones: The growth and city deals are an area where we work in partnership with the devolved Governments to deliver a particular economic output and benefit for a place. We use money directly from the UK Government, alongside money that the devolved Governments have, to invest in those areas. We want to be working hand in glove with all our devolved Government colleagues to deliver the best outcome for local communities. Has that always been the case? No, not really, but we will continue to make the case for partnering to deliver real outcomes for people in the places where we put these growth and city deals.

Q182 **John Grady:** And on military and naval spending?

Darren Jones: The SNP position on defence spending is quite clear. The SNP tends to be quite anti-defence spending, especially on nuclear capabilities and facilities. But Scotland has an enormous role to play in our national security framework. We are putting enormous amounts of money into the Ministry of Defence to protect the country and make sure that we can contribute to NATO. There are many skilled workers and families in places in Scotland that are crucial to delivering on our defence capabilities. It is a shame that the SNP takes a different view from us on that, but we will continue wanting to put more money into defence and to support the communities that work in that sector.

Q183 **Dr Sandher:** Chief Secretary, we welcome the Green Book review, but there have been reviews before. The previous review said that the Green Book was ineffective “at assessing transformational change”. How do you expect a new Green Book to ensure that we can implement that in a new appraisal process?

Darren Jones: There are a couple of key outcomes that have been broadly welcomed by stakeholders. The first is that we want to try to streamline and simplify this as much as possible. I think everybody holds the Green Book up as this kind of mystical deciding book somewhere in the Treasury, but it is just guidance that we need to follow to make decisions. We are trying to make it a bit easier for people to understand and use.

The other thing that I am particularly excited about is the piloting of place-based business cases. The Committee will know that traditionally, each Department would request approval from the Treasury on a business case for their particular bit, whether a railway line, a house building project or a GP surgery. We had no real mechanism for looking at how we were making the best of that for the place in which that spending was going—doing the best we can to co-ordinate a place-based view across departmental spending for the benefit of people who live there.

We have made a commitment that we are going to pilot some of these processes. That has not been done before in Government. NISTA will help



us facilitate that. We will set out some more details shortly about what and where those pilots might be. The whole point is that people living in their communities with something going on in their area, whether rail upgrades or house building, will know that we have thought properly about the broader community infrastructure that they need for that area as it grows.

Q184 Dr Sandher: The place-based review is welcome, but I suppose the worry is about the tyranny of the BCR in previous iterations of it. The real worry is that you often cannot evaluate these things in advance, and that BCR estimates give a false precision in other ways. Crossrail is used a lot more than was expected, because it makes a connection that was not appreciated, and the problem that we have as MPs outside London is that BCRs do not appreciate the benefits of connecting different areas. We hear from Departments that the last Government declined to progress lots of projects because of low BCRs. Do you expect to reappraise projects that were previously rejected because of low benefit-cost ratios?

Darren Jones: We are not going to be reappraising previous business cases, but we will use the new approach in the Green Book for any resubmitted business cases or new business cases. You are right to focus on the role of BCR decisions in the past. We are obviously still doing BCR assessments, but we recognise the challenge that you put to me: a BCR is an assessment of the monetised benefit of spending, but clearly we sometimes need to take into account non-monetised benefits when we make the decision. Our commitment in the Green Book review is that we will make sure we have that broader set of considerations that is more streamlined, as opposed to an automatic yes or no to something based on the number you get out of the BCR process.

Q185 Lola McEvoy: I have a follow-up question on the new guidelines. How will we value things that do not just have monetary value, and how transparent will the guidelines be? Do you have any ideas about what sort of things might be included? That is where value-based decisions and the difference to people's lives will be made, so I wondered if you could put a bit more flesh on the bone about that.

Darren Jones: It will be for Departments to make the case for that. One of the great things that NISTA will be able to do for us in this co-ordination, including in the place-based pilot, is to flesh out our assessments of non-monetised benefit collaboratively in those places, among different types of bids. It is a pilot for a reason. As I say, we have not done it before, so we will have to learn through some of these examples. Once we have decided what those pilots are and on what timeframe, we should come back to you and tell you what that is and then tell you what we have learned from it when we have come through the process.

Lola McEvoy: That would be great, because I know having social value in public procurement was an attempt to do this, but it was not weighted high enough, and it was too broad a definition.

Q186 Chair: Our colleagues on the Transport Committee were quite interested



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in the Green Book, and in particular how place-based business cases will work, which Dr Sandher was talking about. Can you give us some examples of transport projects that would have been more or less favourably reviewed under the new processes?

Darren Jones: No, I cannot. If they were to provide me with specific examples, I might be able to write to them. I will stress again that the place-based pilot is not something we have done yet, so we should write to you to tell you—

Chair: It is a while off.

Darren Jones: Yes. We have come to a point of agreement that we are going to give it a go, but we have to work out with colleagues across Government what pilots we are going to do first.

Q187 **Chair:** Then you have the challenge of the national mission for growth and the devolved settlements with the mayoral authorities. If those authorities do not share the same transport priorities as central Government—perhaps because you are looking at it through the growth lens and they are looking at it through a different lens, or vice versa—how will you arbitrate? What levers do you have? Do Government trump the devolved decision-making process?

Darren Jones: No, we are very committed to and respect the devolution of decisions to mayors in their place. Our new transport for city regions fund, where we have increased the amount of money going into these mayoral combined authorities, is based on the principles that we think are growth-enhancing from the Treasury—

Q188 **Chair:** So they are bidding into a fund that you set the criteria for.

Darren Jones: No, we have just given them the money based on the population they look after in their area. They get a flat rate and then a top-up based on the number of people they look after. We did that because we believe that enhanced intra-city transport is a way to unlock untapped growth in cities and city regions that currently is not happening in an optimal way.

Q189 **Chair:** What about if there is a white elephant, where a project is being delivered because there is the local will for it but, in the Treasury's view, it is not going to deliver on growth or help people get jobs? There can be mad, bad and dangerous people elected, occasionally. How do you deal with that?

Darren Jones: Combined authority mayors are accountable to their local scrutiny functions. They have to report back on their integrated settlement outcomes to MHCLG.

Chair: By then it might be too late.

Darren Jones: But we are trusting mayors in combined authorities by giving them the responsibility for a fund where they get to decide what they want to spend it on.

Q190 **John Glen:** I certainly get the point about there being a consensus



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between the previous Government and this one on devolving decision making. How do you avoid a situation where you create lots of happy people outside London, with local mayors who are given more discretion to make growth-enhancing investments within their terms of reference in their local communities, with the assent of those communities, but when you go back to the Treasury and look at the combined effect of all that, the national economic performance is not as enhanced as it would have been if you had directed that money more from the centre? Surely there is a meaningful risk that that could occur—that you have traded autonomy and discretion for local mayors with national economic growth.

Darren Jones: I would say two things. First, we have devolved funding—for example, the transport funding—for the reason I have just set out, which is that we believe intra-city transport in itself is growth-enhancing and that mayors and their local authorities know best where, at that level of spend, they should enhance their local networks. I do not think I would know any better sitting in the Treasury.

Q191 **John Glen:** With the greatest respect, that is not the point I am making. I totally agree with you that it must be their decision. I am saying that the combined aggregate economic value of those intra-city transport schemes is less significant in terms of the national growth mission overall, and that there are better decisions that would be economically more consequential for growth if the Treasury had allocated that money differently, and had not just essentially allowed those impacts to take place randomly around the country.

Darren Jones: So you think it would be better if we did not devolve that money to mayors. Is that what you mean?

Q192 **John Glen:** No, what I am saying is that spending money locally has a different economic outcome from national infrastructure projects that do not involve one particular region or a combined series of regions. Rishi Sunak came as a Back Bencher to see Philip Hammond when I was Philip's PPS, and he said he wanted to do freeports. The view of the Treasury was that there would be displacement of economic activity, and they would not be additive. A few years later, he obviously implemented them. There is a trade-off between displacing investment to satisfy regional growth imperatives within the terms of those regions, and the overall national effect of programmes driven by central Government expenditure. Do you recognise that there is a risk to that trade-off?

Darren Jones: I think it might be a hypothetical counterfactual that I am struggling to answer. We recognise that combined authorities in themselves are not the sole answer to the national growth challenge. But as well as significantly increasing the maintenance budget for roads through councils in non-combined authority areas, we have, based on advice from the National Infrastructure Commission, made the spend on R&D, energy infrastructure and all those things.

Where we have been able to make growth-enhancing decisions from the centre here in Westminster, we have done that. Based on the analysis that our second cities are much further down compared with cities in other



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European countries, however, part of the picture of unlocking growth across the country is enabling them to get on with it. That is why we have put that in as part of the bigger picture.

John Glen: I do not think I have been very clear, but what I am trying to get at is the arbitration between the relative value of delegated expenditure and centrally driven infrastructure or other stimulants from capital expenditure from the centre.

Lola McEvoy: We'll have to wait and see, won't we?

John Glen: Well, I think that is what we are saying—we will have to wait and see. But there is no measure to arbitrate on that; it is a judgment.

Chair: Freeports are perhaps a different example from some of the other issues around transport links, but you gather that we are interested—we are watching it.

Q193 **Dame Harriett Baldwin:** One of the place-based features of my constituency, West Worcestershire, is that we are quite flood-prone, with the River Severn catchment and the River Severn itself. In the spending review, you have increased the amount of money for flood defences for the next three years to a £4.2 billion envelope. In the infrastructure 10-year strategy, you have capital of £7.9 billion over 10 years, which would represent quite a sharp fall-off in capital for flood defences after year 3. So you have £7.9 billion over 10 years, of which £4.2 billion is in the first three years. I wonder whether that was a conscious decision to cut flood defence capital spending from year 4, and whether there has been a conscious choice about the biggest demand on that budget, which will be to upgrade the Thames barrier at some stage in the next few decades.

Darren Jones: I will need to check and write to you. It was not a conscious decision to do what you are suggesting, because I am not conscious of it. My answer to the question on flood defences is that, clearly, it is a requirement for the Government to get on with flood defences, given the forecasts that we have. It is an important part of our resilience and our environmental commitments, and also important to our house building target. I do not think there was a conscious decision to reduce flood defence spending, but unless you have the answer, Conrad, we will need to check the specific numbers for you.

Conrad Smewing: We should check the numbers that you were quoting, but I do not think there is a cut in flood spending after '29-30 in the long-term projection. We should try to reconcile.

Q194 **Dame Harriett Baldwin:** The pipeline on page 10 of the infrastructure review has £7.9 billion for 10 years, and the spending review has £4.2 billion over the next three years.

Conrad Smewing: Let's check that.

Dame Harriett Baldwin: I would love it if you could write to us. We would like to clarify because we want to see capital spent on flooding.

Q195 Chair: Yes, perhaps you could write to the Committee. Dame Harriett explains it well, but a lot of colleagues across the House are very concerned about that issue as well.

I have a few quick questions. Other Committees have raised some issues with us, but we will keep it quickfire. When we talk about cuts, the biggest cut is to the Foreign, Commonwealth and Development Office, where they are having to make 17% cuts to the budget. There has been speculation about where that will fall and whether they are over-bloated. At the same time, they are having to make cuts to programme spend, and ODA spending in particular. Do you think they can reasonably do that? They are basically going through two transformations at the same time.

Darren Jones: Yes, I think so. That was a conscious ask of the Foreign Secretary, both in the one-year spending review and the multi-year spending review. His view and that of his permanent secretary is that they need to reshape the overall headcount and structure in the Foreign Office. We funded a voluntary exit scheme last year, which we have continued this year to enable that to happen. He is also keen to ensure that, as part of our broader Cabinet Office-led process on where we place civil servants across the country, there are more people in other places in the UK and, as a proportion, fewer people in the Foreign Office here, with more of his available staff in post in countries abroad, which seems broadly sensible.

Q196 Chair: So doing some of the same work that they would be doing in London but while in post?

Darren Jones: Yes.

Q197 Chair: Okay, so that would spread the admin or the policy work out from a desk here. On soft power, ODA is obviously a big issue there. The Culture, Media and Sport Committee is concerned about the implications for the FCDO contribution to the BBC World Service, which is a really important soft power. Obviously, there have been changes to how that has been funded over the years. What representations did you receive from the Department? Was it something that the Department for Culture, Media and Sport offered up, or was it imposed?

Darren Jones: It is often a debate, not just with DCMS, but with the Foreign Office. In theory, the BBC is supposed to pay for that service itself. In the previous spending review—

Q198 Chair: And they've had their money reduced.

Darren Jones: There have been requests to support them from the centre, which has often been an FCDO plus DCMS decision, given the soft power implications that you referenced.

Q199 Chair: In the past, with one of your predecessors, the Home Office was trying to get money spent on soft power, such as soap operas put out through the World Service explaining how the immigration system works, and advising people to get educated in their country and then come to the UK for a good job, rather than get on a boat to cross the channel. There was a lot of thinking about how that would be used. Given the cost of

people coming on boats and the cost to the Home Office of immigration, has there been any join-up in that thinking?

Darren Jones: I have not been privy to any discussions beyond some of the financing arrangements. You would have to ask the relevant teams.

Q200 **Chair:** Fair point. I mentioned the Home Office because that is obviously one of the Departments facing cuts. The Government have made a pledge to reduce violence against women and girls through a Department that now faces big cuts. There is also the issue of the Casey review; we now have a child sexual exploitation national inquiry coming as well. Will that be funded entirely from the Home Office budget? How can you reconcile the cut to the Home Office budget with reducing violence against women and girls?

Darren Jones: We made a specific funding allocation to the Home Office for its support of the violence against women and girls mission.

Q201 **Chair:** That is ringfenced, is it?

Darren Jones: I cannot remember if we ringfenced it specifically. There was a specific ask that we funded through the spending review. A lot of this ends up, for Home Office purposes, being a policing and community policing question, so you would need to ask them precisely how they want to split it up. I know we funded a VAWG ask from the Home Office.

As for the recent Casey review, that is funded from existing budgets. I will just point you to the statement that the Home Secretary made in the House the other week.

Q202 **Chair:** Thank you. You have gone through your first spending review. It is the first zero-based spending review, and the first for a long time that has been a three-year spending review. What was the most difficult choice that you faced as the Chief Secretary, or as the Treasury, if you do not want to take it personally?

Darren Jones: That is a good question. I do not know what the most difficult choice was—there were lots of difficult choices.

Q203 **Chair:** As the Chancellor says, it is all about choices. Give us some examples. What were the really hard ones? You were obviously negotiating up to the wire with the Home Office and the Ministry of Housing, Communities and Local Government. Was that because they were difficult, or for other reasons?

Darren Jones: I am not going to comment on individual negotiations.

Chair: It was worth a try.

Darren Jones: I was pretty matter of fact about it. We had a budget, and we needed to divvy it out to deliver the plan for change priorities. We have got to a place now where we have a spending settlement that allows the Government to get on with delivery against the plan for change commitments and our promises to the country. I am very conscious that a spending review sucks enormous amounts of energy out of Whitehall,

because everyone is totally focused on that process. I am pleased that it is finished, and that we can now get on with delivery. That is the thing that we are all excited about.

Q204 Chair: One of the other things that you have gone through for the first time is around the levers of Government—you pull a lever in Whitehall, and something happens in a completely different place that you were not expecting. That is quite challenging for new Ministers, however talented they may be. Will you be doing any reflection as you go through the spending review period to say, “Actually, that decision didn’t really work,” and to ask why? How will you make sure that the learning is kept? You may not be there forever; lots of Chief Secretaries tend to move on. There can be a great confidence with a new Government—“We’re in. We’re in charge. Everything’s going to be fine,” but it is quite good for Government to be able to admit mistakes.

Darren Jones: In terms of reflecting on the spending review process itself, I am conscious that I asked a lot of our officials by changing the process. We did a lot of new things for the first time in this spending review, including with other parts of Government—particularly the centre of Government. Our focus now is on the settlement letters and the performance framework.

Q205 Chair: But it is now about how it actually pans out and whether it delivers what you expected.

Darren Jones: Exactly, and I am asking for feedback and reflection on what we have done, and what we might then want to carry on doing, do better, or do differently in the next spending review. You are right that the purpose of my job, now that the spending review negotiations have finished, is to work with colleagues in the Cabinet Office and No. 10 to ensure that we are driving performance and delivery of this across Government.

Q206 Chair: So you will be reflecting on this. We as a Committee like it when we have candid witnesses. If you were to come back in a year’s time and we were to ask you how it has been going—what worked and what did not—would you be up front with us?

Darren Jones: I would be very happy to be.

Chair: Okay, well we will hold you to that.

Darren Jones: If I am still the Chief Secretary by then—who knows, I might be on your Committee.

Chair: You know more than me. I thank the Chief Secretary to the Treasury and Conrad Smewing, the director of public spending at the Treasury, for their time. The transcript of this session will be available on the website uncorrected in the next couple of days. Thank you to our colleagues at Hansard, and to Bow Tie for their broadcasting services.