



Public Accounts Committee

Oral evidence: Government services: Identifying costs and generating income, HC 890

Monday 20 October 2025

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Members present: Sir Geoffrey Clifton-Brown (Chair); Mr Clive Betts; Anna Dixon; Sarah Green; Sarah Hall; Chris Kane; Sarah Olney.

Gareth Davies, Comptroller and Auditor General, Head of the National Audit Office, Yvonne Gallagher MBE, NAO Director Digital, and David Fairbrother, Treasury Officer of Accounts, were in attendance.

Questions 77-158

Witnesses

I: Catherine Little CB, Permanent Secretary, Cabinet Office and Chief Operating Officer for the Civil Service; Conrad Smewing, Director General, Public Spending, HM Treasury and Joint Head of the Government Finance Function; Andrew Cartner, Director, Public Spending, HM Treasury and Deputy Head of the Government Finance Function; and Bonnie Wang, Director for Strategy and Assurance, Government Digital Service.



Report by the Comptroller and Auditor General

Improving government's productivity through better cost information (HC 1291)

Examination of witnesses

Witnesses: Catherine Little CB, Conrad Smewing, Andrew Cartner and Bonnie Wang.

Q77 **Chair:** Welcome to the Public Accounts Committee on Monday 20 October 2025. Central Government Departments spent an estimated £450 billion on the day-to-day current running costs of public services, grants and administration in 2024-25. Although most Departments have a good understanding of their total costs, many do not know the costs of individual activities in end-to-end services, and understanding those costs in government is critical to achieving sustainable productivity improvements. Today we are looking for a commitment from the centre of Government to assign responsibility and accountability for addressing Departments' lack of service cost information, as a foundation for improving productivity and hence the affordability of public services. This hearing comes on top of last week's associated hearing on fees and charges.

We will also be looking for HMT and the Government Finance Function to provide more useful, practical support to Departments to help them to identify what is driving the costs of their services, and to elicit what further help departmental delivery functions require to take ownership of understanding their service costs and how this is to be provided. That is the context for today. I will now ask all witnesses to introduce themselves, please, starting with Cat.

Catherine Little: Good afternoon. I am Cat Little, the Cabinet Office permanent secretary and also the chief operating officer for the civil service.

Chair: Thank you, and welcome. You are a regular attender of this Committee, and we appreciate it. Bonnie, I will introduce you last, as it is your first time at this Committee, and I will pay special tribute to you in a minute. Conrad and Andrew, you have both been here many times before, but please introduce yourselves.

Conrad Smewing: It is a delight to be here again. I am Conrad Smewing, co-head of the Government Finance Function and also the director general for public spending in the Treasury.

Andrew Cartner: Hi, I am Andrew Cartner, deputy head of the Government Finance Function, based in HM Treasury.



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Bonnie Wang: Thanks very much for having me. I am Bonnie Wang, director for strategy and assurance at the Department for Science, Innovation and Technology.

Chair: Brilliant. We are very pleased to have you here for the first time, and hopefully we will see a lot more of you.

Cat, you have been warned that Sarah Green wants to ask you a question at the top of the session on trade union recognition and procurement.

Q78 **Sarah Green:** It is a quick one, and I am happy for you to write to the Committee if it is easier. It relates to our recent inquiry into civil service pensions and is simply a question about the procurement guidance given to Departments—when that is likely to be updated or reviewed, whether it is under review—and a related question about the requirements on recognising unions as part of the procurement process.

Catherine Little: This obviously relates to the previous hearing we undertook. To answer your questions in those key parts, on the procurement guidance, as I wrote to you in early September, I set out that we cannot force our suppliers to recognise trade unions, because that would be in contradiction with the Employment Act. What we have done is issue public procurement notices to remind our teams procuring across all public sector bodies of the sort of employment standards we expect local procurement offices and contracting authorities to consider. That includes the opportunity to ask about trade union recognition, but mainly focuses on employment standards and making sure there is clarity about how our procuring bodies undertake their work.

I hope that satisfies your question. I am very happy for us to send a bit more detail about the specifics of the public procurement note we sent out earlier this year. Obviously, it is up to every contracting authority to decide how they want to build this question of trade union recognition into procurement processes. It is absolutely possible for us to weight our procurement to reflect any organisation's history of how they have worked with trade unions in the past. That is something we have made clear, and it is over to contracting authorities.

Q79 **Sarah Green:** Setting aside the trade union question, how often do procurement guidelines get reviewed and updated, or looked at? Annually? When there is a crisis? How often are they looked at in general?

Catherine Little: The public procurement notices are updated fairly regularly. We issue multiple notices every year, depending. They are a bit like a "Dear Accounting Officer" letter, giving bits of supplementary guidance to the Procurement Act. The other thing we do is regularly review the model services contract that we issue to all commercial staff across Government. There is a regular review of both.

Q80 **Mr Betts:** You say you cannot require a contractor to recognise unions. Why?



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Catherine Little: I believe—I am not an expert—that the interpretation of the Employment Act 1982 prevents contracting authorities from forcing a supplier to recognise a trade union. That is my understanding.

Q81 **Mr Betts:** Can you ask them if they will do so if they are appointed and given the contract?

Catherine Little: Yes, and that is what we have done in the instance of Capita. As I mentioned previously to this Committee, we strongly encourage it. Capita were good enough to reach out immediately after our hearing, and I believe they also wrote to you. We have entered into active conversations about their recognition of PCS and any other trade unions that want to enter into that discussion.

Q82 **Mr Betts:** So if a prospective contractor said, “No, it is not our policy to recognise,” could that effectively disqualify them from being awarded the contract?

Catherine Little: I do not think it can disqualify them, but you can certainly provide incentives and weight a procurement decision if a contractor has had a good historical track record of working positively with trade unions.

Q83 **Mr Betts:** Is that simply about historical working, or can you take into account their commitments for the future as well?

Catherine Little: Yes, we can take that into account as well.

Q84 **Chair:** Thank you both very much. We come now to the hearing proper, and my first question is really to you, Cat: whose responsibility is it to hold Government Departments accountable for improving their costs information?

Catherine Little: It is a joint responsibility between the Treasury and the Cabinet Office. If I explain the responsibilities in the Cabinet Office, I am sure Conrad can then take you through how the Treasury and the Government Finance Function operate.

From a Cabinet Office perspective, we own the performance management framework for the SCS. We issue annually the performance expectations of all senior leaders in government. That includes financial minimum standards, including compliance with “Managing Public Money”. We have a range of different financial management requirements, so we set that framework and then ask every Government Department to adhere to it. I do not personally go and audit that they have done so, but we do use our internal auditors to check how good the compliance is from time to time. We also oversee the permanent secretary appraisal process in the Cabinet Office. That is the way the Cabinet Office gets involved.

Chair: Conrad, would you like to take up Treasury responsibility?

Conrad Smewing: From a Treasury point of view, it is ultimately the accounting officer’s responsibility to understand the costs of their service,



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and the efficiency and value for money of it. That is an accounting officer responsibility.

The Treasury's responsibility is twofold. There is making sure that Departments and accounting officers have the guidance and support they need to do that properly. The set of recommendations from the NAO on this issue are really useful and timely. What we will look to do, in part, is issue an updated "Dear Accounting Officer" letter to help them to discharge that responsibility.

We then have a checking and holding to account function, in that the Government Finance Function arranges the end of year performance reviews for the finance function and for permanent secretaries in Departments. The extent to which Departments are making progress and showing good understanding of the costs of their services forms part of that assessment, along with accuracy of forecasting and so on. We have central guidance—"checking up on" central guidance.

Last but not least—Andrew might want to say a little bit about this—we have the Government Finance Function as a community of practice. That has an important role in helping best practice to be shared across Departments and the wider public sector and to support people in undertaking this kind of costing activity.

Q85 Chair: I hear what you both say, but this is fairly simple stuff, which virtually every single firm in the private sector would be doing as their bread and butter. Why is it not happening in government? When do you expect to see substantial progress?

Conrad Smewing: An awful lot of quite sophisticated activity-based costing is happening in the public sector, but we agree with the NAO that it is not all perfect. Some areas are more advanced than others.

The NHS is a really big and important service. It has made significant improvements over the last 30 years in moving from standard average costing—a hip replacement costs on average this much—to granular patient-level costing, and understanding how much time is being used by different clinicians and the variation between different NHS trusts in using that time. It can therefore tell what the overall variance of cost is between trusts and what efficiency opportunities there might be. It does a great deal of important and significant work on that.

That is obviously our largest cost area. There are similar good benchmarking tools in schools, which we could talk about a bit more. I totally recognise that over the range of Government services, some are not as sophisticated. This is a useful opportunity for us to start bringing people up to the level of the best.

Chair: Do you want to add anything, Cat?

Catherine Little: I want to emphasise a couple of things that Conrad said. We have been on this journey for a very long time, and notwithstanding the excellent recommendations that the NAO has made,

we have been steadily getting better. I add that we have requirements for service costing. Where people have digital services—Bonnie might want to add to this—we ask that they start to understand their transaction service costs. If you go to gov.uk, you can see on most of our services the amount that it would have cost on paper versus the amount that it now costs thanks to digitisation—so there are standards.

Underlying your question is how we ensure that there is consistent application of those standards. Obviously, with my background, I endorse the Government Finance Function. It is a very important community of best practice, which sets the professional standards and approach to costing. We are also very fortunate that we have costing centres of excellence in various parts of government. Conrad mentioned a few. We have the centre for costing that the IPA provides on major programmes, and the dedicated costing service within the Ministry of Defence. Depending on what you are trying to cost, we have some of the best costers in Government. The challenge is driving up the standard, making it consistent, and ensuring that it is used to drive transformation, productivity and efficiency, which obviously is what the NAO is really getting at.

Q86 Chair: Your two Departments set the framework, but then it is up to the Departments to put it into practice. Clearly, where it is not happening, something has to change, and it seems that the something that has to change is partly to do with the Government Finance Function. It is also partly to do with the Government Digital Service, because if you do not have the right piece of IT and digital equipment in place, you will not be able to key in the right metrics to get the right results. It may also be partly to do with getting the ODP in the civil service on board to be part of a concerted effort to bring this about across Government. There are lots of drivers that could help you.

Catherine Little: I totally agree. Anyone can take a numerator and denominator and do proxy costing to calculate very basic costs; what we are really interested in is how you understand the drivers of cost and reduce inputs or boost productivity; that is a much more sophisticated set of examples. We have a duty to share best practice, which we are doing as much as we can. Government Finance obviously plays a big part in that, as does DSIT and the Cabinet Office. Overall, we share the things that help improve and raise our game wherever we can. I strongly agree with you.

Q87 Chair: Bonnie, what is DSIT's role in this? I cited you alongside GFF and the ODP. Among the different moving parts within Government, how could DSIT help?

Bonnie Wang: There are a few different ways. One is building on the work we did in the Top 75 Services programme, where we developed a methodology for looking at costs of services, specifically the cost per transaction across different Government services. Taking that methodology beyond just the digital element of services is actually where you see the differential in costs, because as you start to use technology to



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digitise services and take out more of what we call failure demand—essentially, the inability to complete a transaction online because the journey spits the applicant out due to certain of their features—that reduces the cost overall. Building on that work, sharing the methodology that we have, and building on the community of service owners that we have built and are supporting across Government, is critical. That is the supporter methodology angle.

In addition, we are also supporting Cabinet Office and Treasury in holding Departments to account on costs and making sure that costs follow the right trajectory over time. Working with Treasury, we have identified all the major digital programmes that are being stood up or run over the spending review period, and we are working to identify the right outcome metrics for those, including the financial ones and the wider impact measures. We are working with Treasury on a reporting mechanism that will mean that Departments will report back to us and Treasury every six months on those metrics.

Chair: Given your crucial role, I suspect we will want to come back to that later in the hearing. For now, we will go to Anna, please.

Anna Dixon: I did not think I was down to ask any questions in this session.

Chair: You made a comment earlier.

Q88 **Anna Dixon:** It was just a follow-up to Conrad's point about the NHS and service line accounting. This issue is decades long. I remember when Monitor was first introduced to get NHS trusts to have the basic information to benchmark costs. Could you give a use case of how, when that data is available, as it is in the NHS, it has resulted in different decision making that drives improvements in productivity? My fellow Committee members will be concerned about whether the data actually gets used in practice to drive decision making. My sense of the NHS is that there has been a sort of attempt to gather the data, but is it actually ever used in practice to drive out some of the inefficiencies?

Conrad Smewing: It is a good question. I do not pretend to be an expert in its use on the frontline. NHS England has the Getting It Right First Time programme, which takes the detailed analysis, area by area, of the patient-level costing and provides the different NHS providers tailored packs that show where they are sitting compared with all other trusts, and therefore what opportunities their management might want to look at.

The total universe of efficiency opportunities in the set that NHS England set out was something like £11 billion-worth of potential opportunity, and there is some reasonably good evidence that it is working in practice. In orthopaedics and hip operations, which was one of the areas where people had previously looked at this problem and identified big variations in not just the cost of individual orthopaedics, but in things such as length of stay after hip and knee operations. When they came back to that area some years after the initial collection of data—in around 2019, I think—



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they saw average lengths of post-operation stay had fallen and an estimated saving of about £165 million just on orthopaedics. There is evidence that it is being picked up and being used. I am sure that there is more opportunity there, and they are expanding the number of providers that are required to submit data. The national cost collection process now gets something like 5 billion data points from about 200 providers every year. It is possible for it to go further and further, but there are some signs that it is working.

Q89 Chair: I recently had a meeting with my local health committee of GPs and they are absolutely being driven mad by the fact that different bits of the health service IT do not talk to each other. This is still going on: new systems are being procured that are not able to talk to other bits. It is all very well getting down to the granular detail that you talked about, Conrad, but if the GPs can't talk to the consultants to know something about their patient's hip that they have all the detail on, it is not working to the best advantage, is it?

Conrad Smewing: I definitely agree it is not the only area where the health service needs investment and attention in order to improve its productivity. You are quite right that information technology is another important part of ensuring all the systems talk to each other, but the NAO is right to point to looking for this kind of data as an important precursor to any productivity programme.

Q90 Chris Kane: You mentioned best practice and sharing best practice. How do you decide who is getting it right? How do you recognise what best practice is? How do you track the implementation of best practice after you have had the session where best practice has been shared?

Conrad Smewing: Getting it right means different things in different areas. One of the other things about this sort of granular activity-based costing is that it is always different in different services. Recognising good practice is about seeing the level of sophistication of the analysis and seeing that it is leading to genuine opportunities for different decision making.

Other aspects of best practice include the ability to socialise it across the broader system, and that can be different in different areas. If we are talking about health or schools, you have a very large number of providers who are all doing similar things and you have a problem of how you make transparent to the large number of nodes in the system the opportunities they are potentially missing.

The Department for Education does quite a good job on that. It has an online benchmarking tool that quite a high proportion of schools voluntarily go to and use, so that is best practice in that area. In other areas—Bonnie might want to come in on this—such as digital services, where you are running a single service and you are all trying to make a similar channel shift from paper to digital, some people may be more advanced on the journey than others, and you need to show people the



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possibilities and problems they would need to overcome in order to implement that.

Q91 Chris Kane: You have done a really good job of describing the theory of sharing best practice, but I am more interested in how you are sharing the best practice across Government. What does that forum look like? Who is there? What are they saying? How are you tracking whether this forum is actually delivering the result?

Conrad Smewing: Andrew might want to talk about the finance foundations group.

Andrew Cartner: I would answer your question in two parts. First, in terms of identifying best practice, one of the ways we do that, as Conrad mentioned earlier, is the assessment process that the Treasury does with finance functions sitting within Departments. We do that each year against a set of agreed metrics in terms of what "good" looks like.

That is the Treasury view, but Departments also do a self-assessment in that, and that is the Treasury and Departments working together, looking at what Departments do well so that it can be shared across Government. There may be some areas where Departments need some extra support.

The answer to the second part of your question, in terms of where that is socialised, is the finance foundations group. One of the things that the Government Finance Function does very well is work collaboratively in bringing people together horizontally across Government.

We have a finance foundations group that is attended by finance directors from each Department across Government. If we identify best practice or common issues, we socialise it at that group. We do show-and-tells and get people to put their heads together, discuss it and develop it into best practice.

Q92 Chris Kane: The last part of the question is how do you then check that that is not just a talking shop. How do you check it is actually delivering results after it has been socialised?

Andrew Cartner: There are a number of ways that we would do that. I would go back to the assessment process that I talked about before. If we changed something, we might introduce that as a metric that we are going to assess Departments against. We also have a finance standard, like all functions, which lists in quite a bit of detail what we expect finance functions, finance teams and Departments to deliver. We will ensure compliance with that and track that Departments are doing what they need to do. That can be in terms of processes, systems or capability.

Q93 Chris Kane: That begs a question, though. If that is what you are doing, it sounds like a really good process, but it is not delivering results. I quite like the sound of what you have just described, and it sounds like you have hit all the buttons I am asking for, but the Report is showing us that we are not delivering the results. That suggests a mismatch between what you have just said and what we are actually seeing coming through in the



NAO Report.

Andrew Cartner: In relation to the NAO Report, which colleagues have said is very welcome, the Government Finance Function launched a new strategy in February. The Chair mentioned that GFF needs to change, and we want to change. We have a set of objectives in the strategy, which is about being insightful and data-driven. It is about being innovative, delivery-focused, skilled and talented. Basically, we want people to spend more time working on this type of activity, where we can analyse the data to provide the insight to deliver better value for money, better efficiency and better productivity for the Government. We want to do that.

As Conrad said, there are pockets of best practice that we want to use, and there are other things that will help us to do that, too. Some of the systems that we use in Government can be a bit of a challenge in doing this. Legacy systems mean that we do not have commonality of data across Government. The programme's shared services strategy will be a big enabler in helping us to get that consistency, and to get all Departments better in this space. There are a number of aspects to why we are not yet where we want to be.

Conrad Smewing: One of the things that the NAO has put its finger on is that the systematicness of doing that has perhaps not been what it could be, which is one of the reasons why there are some great areas and some areas that do not know their costs so well. We are now looking to put in place a process to clarify, through a "Dear Accounting Officer" letter, the responsibility of AOs to be more systematic in following that up in the end-year reviews. I hope that using the finance foundations group to share best practice and help Departments along, we will see more progress on this agenda.

Q94 **Mr Betts:** No doubt there are people watching this hearing who are thinking, "Wait a minute, we all suspected that the Government didn't really know how they were spending our taxes." Do you think that would be a fair assessment?

Conrad Smewing: I do not think that would be a wholly fair assessment, no. As I said, there are areas that have more basic total costs and a few ratios. I think the really key areas are much more advanced than that. Health, Education, DWP and HMRC have quite sophisticated activity-based costings that look at the costs of administering different channels and benefits. I would not go as far as your hypothetical viewer, but I think it is fair to say that there is always more we can do, and there are always areas where we could improve.

Q95 **Mr Betts:** So you know about their activities, or you think you do. You know the breakdown between how much is related to labour and how much is related to other overheads such as buildings and energy bills, and you have comparisons of those across Government.

Conrad Smewing: We certainly have those top-level comparisons of how much is pay and staff costs, how much is estates—those kinds of things—and for individual service lines. If you look at the school benchmarking



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tool, it has quite a lot of detailed information on the insurance costs of different schools, how much they are paying for their energy, and how much they are paying for ICT and books.

Q96 **Mr Betts:** But broken down, how much of that energy is related to particular activities in a school or hospital?

Conrad Smewing: I think that is more difficult for a school than for a hospital. The patient-level costing in Health is pretty close to what you would want, as it enables quite a detailed analysis of how different procedures are taking different resources. Schools do not have individual pupils; they have classes. The holy grail of this kind of analysis is to be able to relate it to outcomes. It is good to know how much you are spending, but it is also good to know whether what you are spending is actually delivering—that is much harder in other areas.

Q97 **Mr Betts:** In health and education, which we have talked about, how far do you get down to things like: if certain processes can be done at GP level—sometimes they are—how much cheaper or more expensive is that than the same process being done in a hospital, in outpatients? We looked at some of this in a recent hearing. With schools, where kids have special needs, what are the challenges and the costs of educating those kids in the mainstream school, as opposed to sending them to a stand-alone private school?

Conrad Smewing: I think that DFE and DH would have a good idea of those variances in cost. It does not necessarily all have to be a full accounting. It can be research or analysis of a smaller number of different pathways, and frequently you would see research or analysis that compares two different ways of approaching the same problem, on both cost and outcome. That is not a full accounting of all the costs, but it is still useful information.

Q98 **Mr Betts:** You have explained what you do to monitor Departments and how they are doing it, probably to challenge them. What should the Departments themselves be doing down at departmental level to make sure that costs and information about costs are being properly addressed on a wholesale basis?

Conrad Smewing: With a lot of the things that the NAO have put in their Report, it is both understanding the costs and the variation in costs, and the analysis, by different activity. Exactly the best way of doing things will be different for all different services. However, for a service that is partly paper-based and partly digital-based, being able to assess the cost per transaction—comparing the two things—will allow you to work things out.

Q99 **Mr Betts:** You are expecting Departments to do all this. When Departments put a bid in for the spending review, are they expected to show what they are doing in this regard?

Conrad Smewing: This kind of thing does form part of return-on-investment analysis for Departments' business cases. Some of that might be in the spending review; some of it might be within Departments' slightly more granular decisions about how they how they invest funds.



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Q100 **Mr Betts:** Return on investments implies, when you are going to do something new, how you do it. However, most of the money being spent is not about new things; it is about existing things. Is there not a requirement on Departments, when they are putting a bid in at spending review, to demonstrate whether they are doing all this work on getting their costs sorted out, and cost comparisons, and efficiencies driven forward?

Conrad Smewing: In the most recent spending review, there was a requirement on Departments. We set a benchmark for delivering technical efficiencies of at least 1% a year, and we required Departments to come back with plans that would deliver those efficiencies or more. Broadly speaking, they beat that benchmark; I think they got to a bit more than 1% a year on technical efficiencies. This is one of the recommendations that the Office for Value for Money made about how we should run the spending review process, so that is something that we do in spending reviews. You can get far more granular in running a departmental service than you could in a spending review, which is trying to allocate funds across the whole of the public sector.

Q101 **Mr Betts:** Surely, in the spending review, you would be showing that this is what you are doing, in terms of getting the granularity of the data.

Conrad Smewing: I think that setting the benchmark and ensuring that they have deliverable plans to meet that benchmark or exceed it is a good starting point for a spending review.

Q102 **Mr Betts:** Is it happening?

Conrad Smewing: That is what we did in the most recent spending review. We published a document setting out what the returns from Departments were on the level of efficiencies that they were expecting to be able to deliver over the spending review period.

Q103 **Chair:** Does every Department have a deliverable plan that we can measure them against?

Conrad Smewing: They have got their plan and published numbers for efficiencies. They are working through the next level of detail of that. That is the kind of thing that Departments and business planning should be drawing up.

Q104 **Chair:** And that is all in the public domain?

Conrad Smewing: The efficiency numbers are, yes.

Catherine Little: I should probably just add—obviously, you know this from previous hearings—that we do the horizontal functional efficiencies as well, in line with the Government efficiency framework. We regularly publish our savings from commercial, from digitisation, from fraud and so on.

Q105 **Sarah Olney:** Conrad, I was listening to what you were saying earlier and obviously you have identified pockets of best practice on this, but what is coming across quite clearly is that there is no systemic or systematic



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approach across Government as a whole to identifying cost savings. Do you think it would be helpful if individual Departments actually had it as an objective to be costing out their activities, with a view to driving out cost?

Conrad Smewing: They do have that as an objective, in the sense that certainly all accounting officers have an overriding value-for-money objective and so ought to be doing that. As I was just saying, in the spending review we set benchmarks and tried to make sure that they are developing plans that can deliver that, so it does form quite a large part of what Departments are doing.

Catherine Little: It does, yes. Obviously, as an accounting officer, you are responsible for hitting your financial targets and complying with “Managing Public Money”. We have published efficiency plans and productivity ambitions that we have to meet. It is up to you, as an accounting officer, how you use the different tools and levers available. Costing is a very important part of it, but it is not the only tool. We want to use benchmarking. We will want to be using different ways of managing our forecasts to get better prediction on what we actually spend. So hitting all those financial management objectives has to involve a suite of different tools that, as an accounting officer, you use to best effect to hit the targets that you need to hit.

Listening to your earlier question, Chris, I think it all depends on what the primary objective you are trying to achieve is. Are we using costing to improve service outcomes or to drive productivity? Are we using it to deliver efficiency gains or to help us understand why things cost differently in different parts of the country? How you use some of those tools and levers available to you will depend on what you are actually trying to achieve.

Q106 **Sarah Olney:** But the Report does actually identify, at paragraph 2.9, that there is “an absence of specific accountability” for collecting cost data. Do you accept that?

Catherine Little: As Conrad said, it depends on what costing data we are asking Departments to produce. We certainly set standards for service costing. If you are service providers, we will absolutely expect every permanent secretary to be able to tell us what the cost drivers are and how your costs are evolving over time. There are different levels of sophistication—I think that is absolutely fair—and we have to drive up the standards on it, but we do set standards and expectations within the finance standard, within our permanent secretary objectives, and also within the digital service standards, where we are trying to reduce transactional unit costs. So it might not be in one document, and maybe there is a question about whether we need to bring this together in one framework, but it is certainly sat within the corpus of guidance that you would expect Departments to utilise.

Q107 **Sarah Olney:** Conrad, do you think there is more that can be done to incentivise Departments to collect the sort of data that this Report has identified as lacking?



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Conrad Smewing: Yes, I think there is, and it comes down to your point about clarity and accountability and then follow-up. Clarifying for accounting officers responsible for services, “This is what is expected of you,” producing the best practice guidance that they can then give to the people who own those services to see where they ought to be in comparison with others, and then using the end-of-year finance assessments as a way of ensuring that people are delivering on that should be effective at improving the situation.

Q108 **Sarah Olney:** When you talk about benchmarking, are you talking about benchmarking between Government Departments? You have already given some good examples in the NHS. Are you expecting other Government Departments to benchmark themselves against that, or will you be looking at external benchmarks?

Conrad Smewing: This is the sort of thing where a maturity model is going to be most useful, because you do have really quite different circumstances in different Government Departments. I think that kind of benchmarking, comparing with other Departments, is most useful. I definitely think that in some particular areas and services—Bonnie might want to say something about this—comparing with what the private sector is able to do on a digital service is a very useful thing to do. For some of our services, which are much more complex, it is probably less useful.

Bonnie Wang: The Top 75 programme had benchmarks for what was considered to be “great” across different metrics, and that was pegged to private sector industry benchmarks. It was not exactly at the industry benchmark, because of the complexity of Government services, as Conrad mentioned. In particular, the fact that you have to serve the whole customer base—you cannot pick the customer base—makes it more expensive to serve in some services.

Once you are able to segment services by volume and type—an inquiry service is different from an end-to-end management of a benefits claim, for example—you can start to see benchmarking and categorise the services together that you can compare reasonably to private sector benchmarks. So yes, absolutely, and that was the basis of our benchmarking, but we were also looking across Government services and seeing where the best services are, such as those where they have managed to squeeze costs down. The DVLA is a great example of an organisation that has managed to do that across a number of its services, which is also useful.

Q109 **Sarah Olney:** Finally, Conrad, how soon will this revised, updated guidance be available for Departments?

Conrad Smewing: Andrew will correct me if I am wrong, but we are asking the NAO to come to the next meeting of the finance foundations group, which is in November, to set out its Report and begin a discussion about that. I think it is very important that the guidance draws on experts in Departments and is not just the centre saying, “This is what we think is good.” Frankly, I think the areas of best practice in Government will be



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much better than us, so it needs to be co-produced in that sense. I would look for the early part of the next financial year to be a reasonable timeframe to put that together. I am looking at Andrew, whose job it will be.

Andrew Cartner: Yes, that is what we are aiming for.

Q110 **Chair:** The flaw in what you have just said to Ms Olney is that you may well have really good people in the Department, but if those higher up in the responsibility chain are not prepared to make that change and implement new systems, it will not happen. What is the driver? The permanent secretary clearly has a responsibility here, but can we get the Government Finance Function to say to a particular Department, "Look, you are not really performing up to what the rest of the Government is doing. How can we help you change?"?

Conrad Smewing: We definitely do that. Cat may have a different experience, but my experience has been that people in Departments really do want to do this. If you can deliver in efficiencies, transformation and productivity in the way you are delivering a service, that is very high on everyone's agenda, because it will allow you to deliver more, and everyone is resource-constrained. I think that us in the centre shining more of a light on it and showing the levels of maturity that other Departments are at can help that. In extremis, the big stick of funding and the spending review is there, and we can say, "You have to be meeting these kinds of benchmark. Why don't you have a plan that delivers this sort of benchmark if it is possible elsewhere?" My experience is that you do not have to force people to do that; they really want to do it.

Chair: Thank you for that. Sarah Hall is next, and then we will nearly be up to an hour, so we might take a break after Sarah's question.

Q111 **Sarah Hall:** Thank you, Chair. I want to focus a bit more on the benefits of understanding the costs of services. We know that identifying the drivers of the costs gives us the basis for understanding the full cost of the services. With that in mind, and looking at how we realise those benefits, what are the quick wins to give a sense of tangible progress, and to encourage Government Departments to take further action?

Conrad Smewing: The quick wins tend to be in the benchmarking that says you are getting the same thing but at radically different prices in different parts of your sector. That kind of thing would tend to be a really quick win. The bigger benefits take a bit longer because they require a deeper understanding of the service and some re-engineering of it. I do not know whether they are quick wins, but we are certainly in the process of realising benefits through things like shifting services to digital, which is obviously considerably more cost-effective. The services where we are doing that are seeing the benefits being realised more quickly.

Q112 **Sarah Hall:** On a more granular level, the NAO Report gives examples of techniques like job costing, process costing and activity-based costing. These are things that are happening in the private sector. Are they things that could be passported over?



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Conrad Smewing: They really are. Activity-based costing, particularly, is quite central to the way that DWP thinks about its services or the way that HMRC thinks about the cost of administering the tax system. They are already looking in quite a lot of detail at that kind of metric. If you bring that to an area that has not had the same level of focus, it can be very beneficial.

Q113 **Sarah Hall:** I guess it comes down to ownership—to who is responsible for driving this forwards—and monitoring. You mentioned best practice and benchmarking on an annual basis, but would it not be better to do it at an active management level, working alongside and supporting Departments as much as possible? A lot of Departments do not necessarily have this experience, and therefore they need to be guided and supported throughout the process. Is that something that you are considering?

Conrad Smewing: Certainly, more active monitoring, particularly when there is a transformation programme in place, is something that Departments will want to do, and any programme that is measuring progress in transforming a service will be looking at these kinds of metric very regularly.

Catherine Little: The way I think of it is that finance is your centre of excellence; for any chartered accountant, doing your costing exams is a highlight—we all know how to do quantitative and ABC approaches. As Conrad said, where it really hits the road is where you are doing it to transform services for citizens and you are sharing that information. Between the brilliant service transformation work that we have in the Government Digital Service and the efficiency and reform teams that I have, both in our functions and in the Cabinet Office, our job is to do exactly what you have described: to say, “We can see there is a need to do more monitoring. Can we share some best practice? How can we help?”

Particularly for the functions where we have specialist teams who can go and do projects and specific bits of work—whether it is NISTA, which does project costing, or my commercial transactions team, who can get into the detail of some of this—we are there to help. Part of it is spotting where people need a bit more support and encouragement to get involved. Like Conrad, I have never come across a situation where people say, “No, go away. I don’t want to do this.” People are interested, because the incentives and the benefits of what they are trying to do are clear.

Q114 **Sarah Hall:** Given that not everyone has experience in this area, do you think that people understand where there are issues and where there could be wastage? For instance, we talk about legacy systems at a lot of our hearings. To me, it feels a bit of a mire—a bit of a jungle. There seems to be a lack of ownership, and people do not always know where there are issues, because so many people are trying to keep these legacy systems going and they do not talk to one another. How do you tackle that?

Catherine Little: As you know from various hearings that we have had on the subject, this is a complex and difficult area. It is a combination of things. Every permanent secretary needs to have a grip on legacy IT



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systems: which you are actively trying to exit from and which you are maintaining. The brilliant work that DSIT has done in this space has supported looking at baselining which legacy systems we have—I think we came to talk to you about this in detail at a previous hearing.

We do not underestimate the work that we still have to do in this space, but we are getting a grip on it, and we have a better baseline for legacy IT than we have ever had. I should also say that the recent spending review, in which we all had to put in bids, really focused minds on setting out how much investment we need to mitigate the risks that legacy IT poses and how we get ourselves away from these very manual, expensive and high-risk systems. We have all had to brush up our business cases to go and have that conversation with the Treasury over the last few months.

Q115 **Sarah Hall:** A lot of the transformation work and efficiencies are around AI. We will not be able to do any of that while we have legacy systems in place that are not giving us the good data we need to move forwards.

Catherine Little: Obviously, Bonnie is the expert on this. One thing I would say before she comes in is that we have to get on. Legacy IT definitely makes it more challenging. However, we are using AI regardless. We are experimenting and doing what we can despite some of the big tech challenges we have. We have an obligation to do both.

Bonnie Wang: I fully agree. Legacy technology is certainly one of the issues that keeps a lot of chief digital officers up at night. We know from the “State of Digital Government” review that nearly a third—28%—of the technology in Government is classified as legacy. However, that drives significantly more costs. It drives almost half the actual cost of technology in Government; it is a huge issue.

My personal observation at this spending review is that there has been a step change in how senior leaders are thinking about that. We saw an uptick in the legacy and cyber-related bids coming through, although probably not as much as I would have liked to see. More of those got funded and, critically, a lot were ringfenced in departmental spending review settlements. You need to get the money, but you need to hold on to it as well so that you can invest over time. We also saw that Departments had much better visibility of their legacy estates. Before you do all that, you need to know how big the problem is and where your red-rated systems are. We are definitely seeing a lot more of that.

Legacy is closely linked to cyber risk and resilience. It is not just systems falling over; it makes them vulnerable to attack. We have brought the Government cyber function into the Government Digital Service and are setting out an action plan later in the winter. The more interventionist model will directly support Departments on tackling legacy and cyber risk, but also put the accountabilities more firmly into Departments and make it clearer where the red lines are.

Q116 **Sarah Hall:** Again, it comes down to support of the Departments. You have mentioned the work going on with the legacy systems, but will there



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be a hands-on level of support for all the Departments going through these processes? Will you ask them, "Have you considered this area or this area?" and provide that support?

Bonnie Wang: Going back to the question of best practice, one thing is making sure that the frameworks and the best practices are out there and being disseminated. Similarly to the finance function, we also have digital forums, a functional leaders group and different councils—there is a chief technology officers council and chief data officers council—where this topic comes up all the time. So there are routes to disseminate that best practice.

Q117 **Sarah Hall:** Sorry to interrupt—it is great that the information is going to be disseminated, but lots of information is disseminated. Where is the accountability? How do we know that people are actively listening and acting on this?

Bonnie Wang: There are two other things: hands-on support and knowing if it has worked or not.

Q118 **Sarah Hall:** Will it be monitored quite closely?

Bonnie Wang: Absolutely. For example, a vulnerability scanning service has already been developed centrally that is supporting rapid monitoring and response in relation to threats. Through the digital performance work that we do from GDS, we are working directly with Departments on monitoring the performance and health of their digital systems and services. We are regularly looking at the metrics and outcomes with the Treasury and the Cabinet Office. Because we have detection, we are able to see, for example, when a system or service goes down and can respond to that immediately. In a way, it is less about, "Have they followed best practice?" and knowing that they have done that, than the outcomes that the best practice should have led to. We are able to monitor those outcomes.

Q119 **Sarah Hall:** That is what needs to be monitored. I fear that that has not been monitored in the past, or not as closely as it could have been, and that is why we are at this point.

Bonnie Wang: We are monitoring incidents, downtime and vulnerability, which we are also checking through vulnerability scanning, red teaming and so on.

Q120 **Chair:** I just want to follow up on Sarah's question. I will stick with you for a minute, Bonnie. The troika I raised at the beginning are the GDS, the Government Finance Function and the personnel, the Operational Delivery Profession or ODP. First, is there any existing mechanism where the three of those work together? I hope that there might be, and if there is, is there any mechanism for them to say proactively to a Department, "We have looked at such and such a function that you are doing. If you wish us to, we can suggest some ways of making improvements in this area"?

Bonnie Wang: Yes. On the question of, does the tripartite structure exist, yes in practice, but perhaps less in formality. Between the digital and



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finance functions, I do not think that there is a joint forum necessarily, but we are certainly constantly working closely with Treasury and Cabinet Office colleagues, looking in particular at the performance of Departments and their digital services. Yes, there is that collaboration, but there may not be a name that I can put on it.

On identifying where there are areas for improvement and offering thoughts, yes, absolutely. The point of the monitoring, digital performance and looking at the metrics that I mentioned in response to the previous question is not to say, "We have marked everyone's homework and here is how everyone came up." The point is to say, "Here is the support that we can now offer" from GDS, the Cabinet Office and where the centres of expertise are.

Q121 **Chair:** I include in that co-operation the Operational Delivery Profession, because it has civil servants that will be in every Department. You should be able to get them to buy into this.

Bonnie Wang: Absolutely. It is also about identifying pockets of best practice that other Departments are already doing, which we should be leveraging. It is not about the centre having all of the answers. Luckily in Government services we are in a digital ecosystem where brilliant digital services are being delivered—every Department is delivering fantastic digital services—so it is not just for GDS to go out and say, "This is how we think you should be doing it."

Q122 **Chair:** We will take a break after this question. I have a suspicion that the Departments that Conrad mentioned earlier in the hearing are doing it quite well—we can all think of the obvious ones, such as HMRC, the Treasury, the Cabinet Office and the DWP, but others out there are not doing it as well, and I am interested in hearing how you are going to bring the worst up to the best.

Bonnie Wang: Again, there are probably different models, and I should say that, obviously, we at the centre are resource-constrained as well, so we cannot deploy a squad in every Department. I am sorry to keep going back to this, but it goes back to standards and best practice. That sets the floor for everybody, and then specific Departments or issues are critical and really need support, or there are major Government priorities that we absolutely need to go in and support as much as we can.

Q123 **Chair:** That is why I asked my question a little while ago. We love baselines, because we can measure from baselines, but is all that information out there in the public domain, so that we can see which Departments are doing this well and which are not doing it so well? We could then, perhaps, suggest to you where you might focus your attention. You will get there anyway, long before we suggest it to you, I am sure, but that is the sort of mechanism that needs to happen.

Bonnie Wang: In terms of having the data out there?

Chair: Yes, and in terms of having a plan—as Conrad said earlier—and actual progress towards implementing that plan, so that we can see which



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Departments are well advanced in this area and which are not.

Catherine Little: It is worth adding that we collect a lot of data about technology, about efficiency, so the classic centre of Government has a lot of information. We could not possibly tackle absolutely everything, but we do come together with Departments to have exactly the conversation that you have just described: “Look, we can see you are struggling with your one in 10 data specialist target. Can we have a chat with you about how we might be able to help, and what other things might be useful?”

Those conversations happen on a fairly regular basis. Under the work that we are leading in the Cabinet Office on driving a more productive and agile state, we have departmental stocktakes with digital dashboards that collect suites of information that we care about for reform and efficiency, and on how we improve outcomes for citizens. I think there are versions of what you described, but perhaps not quite in the formation that you might imagine. But that sort of principle—of the centre trying to help and to spot problems—is exactly what we are trying to do.

Q124 **Chair:** That is a great answer, Cat, but we tend to paint a Department as a whole as not performing well when it might be a bit of a Department. We have seen that with DWP. Some of the benefits it administers, it administers really well, but others not so well. It can be within Departments where there are weaknesses.

Catherine Little: That comes back to another one of our favourite subjects, which is performance management and the framework generally. As you know, we have an outcome delivery plan process for Government, so every Department will have its strategic priorities and its performance metrics or KPIs. That is a classic equivalent to a private sector balanced score card approach. That is, ultimately, how we work with Departments transparently and openly to try to spot where there are things. In my experience, it is never one thing that leads to a Department having a problem; there are a few joined-up things. However, we do not want to get into a conversation where the centre is coming to help you because we think you are doing something wrong; we want to help because we all passionately believe in improving outcomes and driving—

Chair: It is the carrot, rather than the stick.

Catherine Little: Exactly. We are doing a lot of work collectively in the centre of Government to change that culture, because in the past I think it has been a bit, “Good news! The Cabinet Office is here to help.” Over time, because Departments have brilliant experts and very good functional expertise, it has to be about shared outcomes, shared best practice and working together as a community to improve things, rather than the centre holding people to account artificially.

Q125 **Chris Kane:** Quick wins can be a welcome sugar rush of positivity, and that is great—absolutely, we should go for that low-hanging fruit—but they can also mask the deep-rooted and entrenched problems that are difficult to change. I suppose my question is about how you approach



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understanding the difference. Do you have a sense of where the quick wins are and enjoy the sugar rush, but still know that you have to hit the treadmill of the entrenched? I might have pushed this metaphor too much, it is about getting that deep-rooted stuff and really understanding where the problems are—where are not just the quick wins, but the deep-rooted problems?

Catherine Little: That is such a great question. If I start, I am sure others will want to add. That is, sort of, our lives. We are constantly trying to get a quick sugar rush off the brilliant work that we do on AI use cases or sharing best practice on productivity quickly, but in my experience the stuff that needs real tenacity and grit is the really long-term challenges on data sharing.

To give one example close to my heart, shared services, we have been trying to move to a shared-service approach for Government for a very long time. In 2021, we set out the latest strategy of moving 100 ALBs and 18 Departments to five clusters. When I first joined Government, that is when we started benchmarked, back-office process re-engineering for every single corporate function in Government. We have just about completed that. That is how long doing really good hard work in shared-service activity can take, because it is very complex and we have to do it well in order to move all the IT and all the processes into a common chart of accounts and to a process that works for the whole of Government.

Yes, you are absolutely right. For me, it is about data, back-office functions and shared services, sorting out legacy IT. They are the big ticket things that take time and real tenacity to get over the line. A lot of the quick sugar rush stuff—sorry, I keep turning to technology—is about taking projects that we know we can apply to lots of different circumstances, and AI gives us lots of use cases, where we just have to be quick to adapt, to learn and to move on. That does not suit everything.

Chair: The clock is now at 16.39, so to be back by 16.45 would be good. Hopefully we can have a relatively quick run to finish the session.

Sitting suspended.

On resuming—

Q126 **Chair:** Welcome back to the hearing. It just so happens that I have the next question, and I do not mind which of you answers. Everything we have been talking about this afternoon can be done only if you have the right people. What are you doing, then, particularly in DSIT and the Government Finance Function, to make sure that you have people who are really good at advising on change?

Andrew Cartner: As I mentioned earlier when I talked about the GFF strategy, one of our objectives is “skilled and talented”, which is very much about getting at what you said about having the right people and the right skills. We have done several things and we are targeting a number of things to improve capability.



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First, in our careers framework, which sets out the type of roles we want people to do, we have changed the remit of what we want management accountants in Government finance to do. That is very much about focusing on the type of thing we have talked about today: using data, analysing it and providing insights on where we could improve cost drivers and deliver better value for money. We have also introduced a new role on the systems and technology that we need people to focus on. Having set those roles, we then need to think about how we upskill people to do the roles of the future that we need them to do. Our Government Finance Academy delivers content, and we are working with some of the accountancy institutes to help to develop that content for different methods of training.

A few years ago we launched a skills capture tool, which is a self-assessment whereby everyone working in the finance function can assess themselves against our job families and the type of skills needed. It gives them development and training suggestions. For us as a function, one of the big benefits of the skills capture tool is that it lets us know where we have a good set of skills and where some of our gaps are. Interestingly, about 5,000 people, which is well over half of the function, have completed that.

The returns suggest that in terms of costings—the details of the costings we have been talking about—we have quite a good level of capability among the finance function, but when it comes to harnessing, using and analysing that, and then suggesting insights, that is an area where we need to improve. That is going to be one of our focuses, and we have a programme of work to drive that forward through our people committee, which has the responsibility in the Government Finance Function for taking that work forward.

Q127 Chair: Give us an idea of the numbers—what is the scale of the task of recruiting these people? You have 5,000; how many more do you need to train or recruit?

Andrew Cartner: In the Government Finance Function we have around 8,000 people in total, and the 5,000 was how many have completed the skills capture tool. We do not need to recruit a lot of people; it is more that we need to recruit small numbers of experts we can bring into the finance function and then use their skills and expertise to help to upskill other people. We are not talking about big numbers in terms of recruitment.

One of the things we have done in the function to help us with that is to launch a brand and a website, and we are doing a lot more centralised recruitment as a central function through the Treasury. Rather than different Departments like the DWP and MOJ going out to recruit people individually, we are trying to do more of that centrally, because we believe that can help to attract good-quality people into finance to complement those we already have.

Q128 Chair: Bonnie, at lots of previous hearings we have heard of shortages in



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DIOs; how are we doing against targets in that area? The two are complementary, are they not?

Bonnie Wang: Yes. A lot of what I have to say about how we are trying to grow the profession is probably similar to what Andrew has said. We have a public commitment to get to 10% of the civil service being digital and data professionals by 2030. I think we are currently somewhere between 5% and 6%, so there is quite a way to go, although we have come quite a long way as well.

There are two parts to the answer. One is how we are growing the digital workforce, which is a key issue, and there are particularly critical shortages in certain roles, such as software engineers, technical architects and developers—the more technical end of those roles. The other is how we upskill the other 95% of the civil service and the wider public sector so that they can make use of digital tools.

On the first, similar to what Andrew was saying for the finance function, we have a capability framework. We are working on more centralised recruitment. We also have the Government Digital and Data brand. There are lots of things that we are trying to do to make it more attractive.

We also have a pay framework that has recently been revalorised up to market rates. Pay differentials with the private sector are obviously a huge issue for us in terms of attraction. That also enables us to do a better job of insourcing where we currently have a lot of money being spent on managed service providers or contractors, and it retains that knowledge. There is a huge amount of work that we are doing in that recruitment and retention space. We also have the TechTrack apprenticeship scheme that is aiming to bring 2,000 digital apprentices into Government by 2030.

On the more general upskilling route, a lot of work is under way jointly with the Cabinet Office. We have the One Big Thing, which is the training that goes out to all civil servants each year. This year, the focus is on AI. Two years ago, the focus was on data. Forgive me, I can't remember what it was—

Catherine Little: Innovation last year.

Bonnie Wang: Yes, innovation last year—so they are all in the family. For that general training this autumn, we have worked with a bunch of tech suppliers to launch something called Get Tech Certified, which again is open to all civil servants. It allows them to—well, do as it says on the tin—get tech certified on different technical topics.

We are also putting a concerted effort into upskilling senior leaders, from permanent secretaries down, particularly for the senior civil service. For example, we have run sessions with directors general, permanent secretaries and the civil service leadership group particularly on AI and digital transformation, how to make the most of those, what the use cases are, and how you set up your Department or part of your Department so it is not digital over here and policy over there, but there starts to be a multidisciplinary team.



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Q129 **Chair:** I think I heard somewhere in a briefing—I hope I heard this correctly; I would like to ask you if it is true—that you are losing senior DIOs and having to recruit more junior ones. That might be a plus and a minus, because the senior ones might have the experience to enthuse the younger ones about what they need to do, but the younger ones might have better technical knowledge. What is actually happening out there in the Government’s digital staff?

Bonnie Wang: I do not know—I am not close to the specifics of every CDIO in the Departments. There is, I suppose, a natural turnover in those roles, and there certainly have been new entrants—let us put it that way—in Departments over the last year, and I expect there will continue to be. One of the things that we are keen on is elevating the status of CDIOs in Departments. One of the commitments that we have put in the blueprint is that we want CDIOs in major Departments to be on ExCo. We are very much travelling in that direction, working with the Departments.

Q130 **Chair:** I suppose the key part of what I was rather clumsily asking you is, if you want to move towards that 10% target, are you losing more DIOs than you are recruiting at the moment? Or is it the other way round?

Bonnie Wang: I am not sure of the answer. I can come back to you on that specific point if you like.

Q131 **Chair:** Yes, if you could let us have a note on that. The other perennial thing that we have examined in this Committee is civil service rates of pay, which do not necessarily align with what these highly skilled people would be paid by the private sector. How are you addressing that?

Bonnie Wang: We have the digital, data and technology capability framework, which is attached to a pay framework. That essentially defines families of roles within the digital profession, and we then have benchmarks for the median industry pay for those roles. Essentially, it is a framework that allows Departments to put in a business case to uplift salaries to those industry medians, which outside London and the south-east actually are competitive, including for the most technical roles. That is how we are supporting Departments. I think most Departments are onboarded to it or in the process of onboarding to it. As I mentioned, we have recently uplifted the rates, which had not been changed for a number of years, to bring them back up to market median. I am hopeful that that will make a difference.

Q132 **Sarah Green:** Permanent Secretary, what is the Cabinet Office doing to ensure that Departments understand their services and have an embedded senior responsible service owner?

Catherine Little: This is work that we have done in partnership with the GDS in the past. In our standards for services, we set out what a service owner should do and what their key requirements are. As the NAO Report draws out, there is probably more that we need to do to raise the profile and understanding of those roles. In Government, we have SROs, accounting officers—we have lots of nomenclature for important leadership roles—and the service SRO role is probably less understood compared with



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some of those big roles. One of the things we were talking about in preparing for this hearing is what more we can do to boost understanding, and how we assure ourselves that there are SSROs appointed for every single service. I think there is more that we need to do there.

Q133 **Sarah Green:** I assume that not everyone is there yet, so are you working to a timeframe to make sure that that is the case?

Catherine Little: No, but I suspect that when you make a recommendation to us, we will absolutely set out a timeframe. We probably need to do a bit of work to work out exactly how we would do it. I am very interested in your recommendations. You want these roles to have relevance and to be properly understood. As is normal in Government, we would probably want permanent secretaries to be accountable for appointing SSROs and making sure they have the right skills and the right people. That is not straightforward, because, as we have just discussed, you have to make sure that you have the right talent and skills. Identifying where an SSRO is necessary, we have already done; we just need to make sure that that is the case in all circumstances.

Q134 **Chair:** To add to that, you need them there long enough that they are there for the entirety of the project, preferably.

Catherine Little: Yes. My experience in the civil service is that we train these wonderful folks, they run really difficult change and transformation programmes for Government and then their skills become even more attractive in the private sector. We use pivotal role allowances and retention allowances wherever we can, but we also have to be realistic: we will never be able to compete with some of the salaries that are offered in the private sector.

Q135 **Mr Betts:** We have discussed the fact that staff time—the amount of time that is going into particular functions or jobs—is very important to many Departments. How is that monitored? How do Departments know? Are we back to the era of timesheets, where people write down how much time they spent on each particular function?

Catherine Little: We do not have a standard approach to this across Government, and we do not have a policy, but many of our big operational Departments do have versions of timesheets and timekeeping. Actually, quite a lot of our professional functions do this; it will not surprise you that the Government Legal Department keep timesheets so that they know what their billable hours are. It depends, really. Certainly, the big Departments need to keep track of what people are up to and how they are working, but it is not necessarily a common thing across the whole of Government.

Q136 **Mr Betts:** How do you do comparisons between different bits of Government—different Departments, different activities—if there is no common way of doing things?

Catherine Little: Well, there is no common policy for capturing what people are spending their time on. That is because we have such a variety of different things that we undertake. To read between the lines of where

you might be going, the obvious question is, “Should we try to capture more accurately how people are using their time?” I am certainly happy to take that away as a question.

Conrad Smewing: One thing that we do have, which I think the NAO links to in the Report, is that the ONS does snapshot time diary—time use—surveys across quite a wide range of public services. It is very interesting data. It splits time use into what it calls sector-specific activities—for the education sector, that is dealing with students, while for the health sector, it is dealing with patients—and non sector-specific, which is more records management, communications and dealing with emails. You see some quite interesting comparisons between those different public services. Broadly speaking, health and education are spending 70% or 80% of their time on directly student-facing or directly patient-facing activity, whereas the criminal justice system, probation, Prison Service and courts are doing more general record keeping.

It is very interesting data, and it might tell you something about comparisons, and maybe give you some leads on where there are potentially efficiency savings or where productivity can be delivered. I do think you need to be a bit careful about it. I think the service-specific longitudinal data of, “Are you managing to get this down over time?”, is probably the most interesting and useful—I spent a happy hour or so looking at it last night, and I recommend anyone else do the same.

Q137 **Mr Betts:** Is this another issue that ought to be dealt with in modernising IT systems within Departments? Surely, it is much easier to collect if it is part of an overall package of measures to deal with delivery of services efficiently and effectively in a modern way.

Catherine Little: Quite a lot of our ERP systems have timesheet capacity, or have bolt-ons. Where it is desirable, we can use the technology we have in quite a lot of circumstances. To expand perhaps a bit on something that Conrad said, I think we need to be clear about why we are capturing that information and to what end. We are a very large service in the civil service, covering a vast array of different activities. As long as there is a good reason for doing it, we generally have the tools and the ability to use technology. Certainly, when we move on to quite a lot of our shared service’s new systems in the cloud, they often come up with the sort of technology that would allow us to capture people’s time if we wanted to, but I think you really have to get into, “Why?”

My experience of this is, when you are running benefits realisation studies to look at how AI is driving productivity, or when you are trying to capture benefits in practice and measure efficiency savings, it is quite handy for a period of time, but it is not necessarily something that you want the whole of the workforce doing administratively on a regular basis.

Q138 **Mr Betts:** Right, so you do not want to get to the point where staff time is 50% doing the job, but 50% recording the job they are doing?



Catherine Little: Indeed, which is why you always have to be clear about what it is you are capturing the data for. Where we do it, it has to have a purpose.

Q139 **Sarah Hall:** Me again. I want to look at the finance role. We have already established that the finance role is incredibly important in supporting Departments and ensuring that they take the issues that we have discussed today seriously. Andrew, my question to you is: what support do those delivering services within Departments need from their finance functions to understand better the cost of their services?

Andrew Cartner: It goes back to some of the things that I talked about before. The first part of the answer is that we need to help finance professionals in Departments with the capability and the new roles that we need them to do. I talked about that earlier. That would be the first thing there.

Then, I think it is more about having this as a focus. We need finance professionals spending more of their time on this type of activity. For me, that is the big shift we need to make, because of the discussions, which we have had today, about legacy systems. At the moment, in some Departments, finance people can spend a lot of time trying manual interpretations and things like that. As we move to the new shared service's ERP systems, that will enable people to spend more time on this. That is one of the big areas of support that we can give as a finance function, by upskilling our people and getting them to spend more time on this, to work with Departments to get better at it.

Q140 **Sarah Hall:** Is setting productivity targets, for instance, something that you foresee that support doing, focusing people's minds? Also, this is a big culture change for Departments. Having that financial expertise, do you foresee that being a challenge—a barrier—or is it possible? It is a big thing to change.

Andrew Cartner: I think it goes back to the incentives conversation that we were having earlier, in terms of incentives, accounting officers, "Managing Public Money", and the efficiency targets that are built into the SR settlements. Permanent secretaries, accounting officers and operational teams need to work with their finance teams to be able to deliver this. As Cat and Conrad have said, all our experience is that people want to do this type of stuff, so I think it is pushing at an open door, and some of the system changes that are coming will help us to deliver against that.

Q141 **Sarah Hall:** In terms of helping to persuade Departments to provide support, how do you foresee that happening?

Andrew Cartner: In terms of the finance functions within Departments providing support?

Sarah Hall: Yes.

Andrew Cartner: That goes back to the strategy that I talked about. The way we operate within the finance function is that we have a finance



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strategy board that is DG-level finance or COO civil servants from each Department. We have developed the strategy that I talked about earlier in collaboration with them. Up front, we have that buy-in from senior people in the organisation. We all agree that these are the priorities for finance. As I said, using data to provide insight to drive value for money is one of those priorities, so we have that built in up front. Then, through the mechanisms that I talked about earlier—the assessment process, the finance standard, and the best practice through the Finance Foundations group—we can work with Departments to make sure that is being delivered. We always do that in collaboration.

Q142 Sarah Hall: And if things are not quite going the way that had been planned, I guess you also have that financial support—that knowledge—to say, “Let’s sit down again and look at how things can be done a little bit differently and tweak them.” Is that how you are actively doing it? Rather than coming up with a plan and then disappearing for a year and letting them get on with it, I think it has to be an organic, constant process.

Andrew Cartner: Yes. We have the different governance groups that I talked about. As a central finance function, we work closely with key contacts in Departments. If there is ever an instance where a Department is struggling or they need some support, we can lean in and support them with that.

Conrad Smewing: It is quite a strong network, so people will not be slow to ask other areas of the finance function or other chief operating officers around Government, “I’m running into this problem. Have you had something like this problem?” It is really quite effective in my experience.

Sarah Hall: With a culture change this significant, having that wraparound support is going to be absolutely critical.

Chair: Thank you very much, Sarah Hall. We now go to Sarah Green, please. We have a lot of Sarahs on this Committee.

Q143 Sarah Green: We do. It is the best name.

Bonnie, you mentioned the Top 75 programme. What have you learned from the challenges that that programme faced in trying to improve cost information?

Bonnie Wang: I think we have touched on a number of these already. The first one—I think we have already covered it—is costs being held by different parts of the organisation. Without that single service owner with the right visibility and mandate, it does not necessarily come together. Often within organisations you have the functional silos and then you have where policy is done, and where delivery is done. To take a really basic example, the people who work on the legislation might be different from the people who then write the policy, which is different from the guidance that comes down. They are certainly different from the people who run the contact centres that deal with all the inquiries that are about the whole chain.



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Having a view of cost across that whole journey requires, first of all, that data to be joined up and that service to be defined, because that contact centre might serve a number of different services, for example. That siloed approach is one that I think Departments are addressing through the single service owner, which we also saw was an increasing trend over the course of the Top 75 programme.

I think a second big one is just that different Departments have quite different approaches—again, we have talked about this—to how they actually capture their costs. Internally, Departments do have a good understanding of their costs; it is just quite difficult to compare that across Government, because they have different models. To take an example, whether and how you incorporate estate costs into your cost of running a service, or how you apportion back-office IT costs across your service, is quite difficult. Do you take into account physical costs, like the cost of a passport, or do we only worry about the digital costs, because it is a bit unfair to compare something that has to have biometrics in it versus something that does not?

Another topic that we have touched on is that Government services—not all, but some—can be incredibly complex and complicated. That can even include the idea of what is a completed single transaction, end to end. If you are applying for a fishing rod licence, that is probably pretty clear; if you are in a complicated criminal injuries compensation claim, that might be quite unclear. Understanding where to draw the boundaries around a service or transaction is also something that some Departments found more difficult.

Q144 Chair: Can I take you to paragraph 6, because I think there may be lessons to be learned here? Paragraph 6 says, in relation to the 75 most used Government services: “A lack of sponsorship to improve data in departments and other public bodies limited its progress and the programme closed with only 29 of the top 75 services being assessed as ‘great’”. It goes on to say—this is the important bit—“This highlights a recurring challenge: that without sustained effort, government will find it difficult to identify the basic data needed to understand what drives the cost of services and where money is being wasted so as to improve efficiency and productivity.” Are there some lessons to be learned there?

Bonnie Wang: I think there are. One thing I might slightly challenge is “only 29”. It started at eight, and we got it to 29. Obviously, we did not reach the 50 that we had set out, but I think that does show an improvement.

I think this point about lack of data sponsorship is related to the single service owner point. If you do not have someone who is looking at the service end to end, there is not always the incentive in a Department to gather the costs and look at reducing them end to end. They may well be looking at the component parts and making those more efficient or productive, but you are not looking at it through a service lens. That certainly is one of the lessons that we have taken, and we continue to bang the drum for single service owners.

Increasingly, as we are evolving our thinking around services, we are also looking at it not just on a service-by-service basis, but as a user journey. A good example is a pilot that we have recently done with DWP and with Health, looking at citizens who have long-term health conditions and are looking to get back into work. The statistic is something like: they have to navigate 40 different services across nine different organisations. You can improve each service, and that is good, but it does not necessarily solve the problem for that individual. With Departments, we are now starting to think more holistically about that user journey.

Q145 **Chair:** But is the sustained effort point the really important bit? If you have decided what you want to do but you are coming up against a barrier, you have to persist until you achieve what you want and the programme is complete, as it were.

Bonnie Wang: Yes. It comes back a bit to the quick wins versus deep-rooted issues question. It does require sustained effort to keep the service focused. I think it requires sustained effort to keep the focus on cost. When we did Top 75, we had in some ways the luxury of being able to work directly with Departments on every single service and deploy a team that worked very closely with all those services to understand costs. We do not have that luxury at a whole-of-Government level, so we need to find other ways to do that, and we have talked about some of those.

Q146 **Sarah Green:** I have one more question for Bonnie and the permanent secretary. What can be done to address the lack of senior-level sponsorship of a programme like Top 75, to make sure that it has the impact it is meant to have?

Catherine Little: Bonnie has had live experience of this. Ultimately, in order for it to get real traction at the most senior levels, you have to situate what we are doing on service transformation of the top 75 services within the broader objectives of Government. Everything we currently do in partnership with GDS is within our “productive and agile state” programme. We are really trying to make sure that that is front and centre. It is all about delivering faster, better services for citizens. To go back to the user journey that Bonnie described, it has to have political weight and very senior sponsorship to enforce the importance of what we are trying to achieve—

Q147 **Sarah Green:** So it is not just about having a sustained senior sponsor; it is also about having that political sponsor as well.

Catherine Little: I think it really does matter. At the end of the day, we deliver for the priorities of the Government. Ultimately, there are things that we do because they are important things for the stewardship of public services and there are things that matter to delivering Government priorities. When the two come together, that is when you have huge impact in driving things forward. It is even better when you have continuity and longevity—that is not always the case, as you know—but it really does help both to have that political weight and for it to be the right thing.



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Bonnie Wang: All I would add is that from my perspective, having been in different versions of GDS for the last three years, sponsorship now exists more strongly than I have seen it in the past. I am actually very optimistic about this moment.

Q148 **Sarah Green:** Is that sponsorship at a political level?

Bonnie Wang: Both. Obviously they drive each other, but yes. It is not just about rhetoric. In the spending review there has been a significant investment in digital and in digital transformation. How high up it is coming on the agenda, both politically and across senior leaders across Government, is testament to how far we have come, even in a short space of time.

Chair: That is really good news—the best news we have heard in this hearing so far. Well done!

Q149 **Sarah Hall:** To carry on with my favourite topic—legacy systems—what practical improvements are needed in data capture and collection, Bonnie and Andrew?

Bonnie Wang: One practical improvement that we are making, but that we can do a better job of, is having more access to live information about services and their performance. A lot of the data capture that we do at the moment is relatively manual and commissions based. It is about a point in time. The information we have about legacy, for example, fits into that bracket: at a certain point in time we asked Departments for information and they gave it to us.

We are increasingly moving towards more real-time monitoring of systems, threat and performance. For example, we have developed an outage detector—which is very relevant today—and that detected the AWS outage today. Moving to real-time data means we are no longer reliant on data that is lagging or on Departments to do the collection and give it to us. Using technology to give us data about technology is where I would like us to go and where we are going.

Andrew Cartner: The thing I would mention is driving consistency and standardisation in data and how we capture it. That makes it easier to analyse and interpret data. We are currently doing two things that will support that. The first is that we have a reference model called NOVA, which sets out data standards and processes across a number of functions—finance, HR, grants and commercial. That is being built into the new ERP delivery, which will really help with consistency and standardisation.

The other thing is that as part of the ERP roll-out we are introducing a common chart of accounts. Basically, when we capture financial information it will all be mapped the same way within systems so that we do not have to spend time reworking it and mapping it to different cost centres. Those things will really help.

Q150 **Sarah Hall:** One of the issues I hear about is that a lot of the information



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is very siloed at the moment—it is based in the Department and not cross-departmental. Is that going to be changed down the line? It would obviously cut down a lot of time, for instance.

Bonnie Wang: Yes. As Cat alluded to, data sharing is one of those perennial challenges. It is not just the technical challenges—and actually it is usually not the technical challenges. It is the cultural challenge of sharing. It is the legal challenges of sharing data that was not collected for the purpose that a different Department wants it for. One of the National Data Library's key aims is to facilitate sharing of data and making it easier. That is not just from a technical standpoint of making it available to APIs—which go out and collect that data—but of spinning up the legal agreements and making it easier for Departments to negotiate them. Yes, absolutely.

Q151 **Sarah Hall:** Realistically, how long will those improvements take?

Bonnie Wang: We are publishing more information about the National Data Library later in the year. I do not have a timeframe. We are making incremental improvements all the time. There is not a big bang moment where we will say, "Data sharing is fixed." Certainly, Department-to-Department sharing, Department-to-centre—

Q152 **Sarah Hall:** It is not just sharing; it is capture and collection. It is the whole thing.

Bonnie Wang: I am not sure I have a timescale that I can—

Q153 **Sarah Hall:** You must be working towards something, though. You must have an ambition as to when this needs to fit together.

Bonnie Wang: Yes. We are about to publish—I say "about to". We are hopefully quite soon to publish our road map for modern digital Government, which follows on from the blueprint. The timescale that we are working to is until 2030. It will set out that longer-term road map to 2030, so a lot of what we are trying to achieve falls within that timeframe.

Catherine Little: I emphasise what Bonnie said: it is not as though you get to a moment where data is fixed. We have a lot of data and there is data quality and sharing aspects that need to improve. Then when you have connected the data, you have to make meaningful information out of it for decision making. It is a constant challenge in Government because we are such large collectors and users of information. While the National Data Library will give us a brilliant opportunity to consolidate our data, the really interesting thing is what you do with it. That is where AI and some of the tech projects that we are working on—how you connect information across all parts of the public sector—are going to be the most interesting thing about how we do it.

Q154 **Sarah Hall:** I suppose the faster you can do it, the more you can benefit from and utilise a lot of the AI. A lot of the legacy systems, as we said before, and data are not usable at the moment. You said that there is a road map, and that is great, but we really need to focus on having those milestones to work towards rather than allowing Departments to drift. It



should probably be one of the priorities with all this work, otherwise the rest cannot go forwards.

Catherine Little: It is. Instead of boiling the ocean, we want to prioritise the data that we are capturing and using to genuinely impact on citizen services as quickly as we can. If we did a road map for improving and fixing data for everything, you would be so overwhelmed by the challenge of it. The key is prioritisation and doing it with real purpose.

Q155 **Chair:** Finally, surely part of the answer to Sarah's question about the timescale is whether you will meet the Government's efficiency savings as laid down in the spending review: 5% by 2028-29 and a 16% real-terms decrease in administrative budgets by 2030. That is going to require a sustained effort over Government. They are not stretching targets, in my view, but Government is such a big organisation, with so many parts in it, that it is going to require a sustained effort over Government.

In line with the Committee's recommendations on having a senior CDIO at a very senior level in the Department and somebody on the executive board to make sure that we get the IT changes that we need, should we do the same in accounting? Hopefully, that would be somebody with accountancy and digital knowledge so that we have a senior accountancy person on every single Department's executive board and at senior levels within the Department. Permanent secretaries are responsible for that, as we discussed at the beginning—but they are very busy people. Somebody underneath them looking at this constantly might produce the change that we want. Cat Little, you are nodding.

Catherine Little: Yes. We made that mandatory several years ago, so every departmental board and executive committee must have a chartered accountant, ideally, or a chief financial officer on it. You will tell me if this is wrong, but last time I checked it was absolutely the case that every departmental board had a chief financial officer on it.

Q156 **Chair:** That is really good—and at the senior level within the Department itself as well?

Catherine Little: Yes, always. The Government Finance Function—we should probably ask Conrad and Andrew Cartner this question, but I probably know too much—ultimately sets out whether it is the director-general or director. A large number of Departments have a qualified director-general finance person on the board, while for smaller Departments with smaller expenditure, it might be a director, but always a chartered accountant is the most senior finance person on a departmental board.

Q157 **Chair:** That is really helpful. What we have been talking about today is not rocket science, but the other thing is whether you have continuous benchmarking against the private sector—this is bread and butter for the private sector—so that you know how you compare with what the latest innovation in the private sector is.

Conrad Smewing: Obviously, one of the things we want to do in response to this Report is to produce more detailed guidance.



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Benchmarking in Government and against the private sector has to be part of that, because you are right: significant strides are being made in precisely this kind of analysis all the time, and we want to keep up with them as best we can.

Q158 **Chair:** You said in parenthesis there what was going to be my next question—that Treasury is to produce better guidance. That is what we are getting from witnesses on this, that they feel that in common with fees and charges, Treasury is not providing them with the absolute guidance that they need to implement this.

Conrad Smewing: Treasury and the Government Finance Function together are going to put together guidance for Departments on how they should be carrying this out. As I was saying earlier in the hearing, we definitely want to draw on the significant expertise across Government in producing it, because it is a lot about bringing people up to the standard of the best. Yes, that is our intention.

Catherine Little: For all the corporate functions, where it is actually quite easy to benchmark against the private sector, we have the very latest data, because we used it in developing our strategic workforce plans for every single Department, which we are now collating and pulling together. We have a very good understanding of how HR, finance, commercial and our tech functions score up against our private sector comparisons. The thing that is quite tricky is that, because of the sheer scale and complexity of what we do, we often end up being relatively small by comparison with what you would see in the private sector, interestingly. We have to intend to calculate how many people we need per pound spent, which can distort factors, so we use the data carefully to try to benchmark not only in Government, but with the private sector.

Chair: This Committee has plenty of sustained efforts, so we will be returning to this subject, I have no doubt. Thank you, all of you. You have given us some interesting information to digest. We will produce a report in the coming days, no doubt with recommendations. We will publish an uncorrected version of the transcript in the next few days.