HOUSE OF LORDS

Risk Assessment and Risk Planning Committee

Corrected oral evidence: Risk assessment and risk planning

Wednesday 9 June 2021

10.15 am

Watch the meeting

Members present: Lord Arbuthnot of Edrom (The Chair); Lord Browne of Ladyton; Lord Clement-Jones; Baroness McGregor-Smith; Lord Mair; Lord O'Shaughnessy; Lord Rees of Ludlow; Lord Robertson of Port Ellen; Baroness Symons of Vernham Dean; Lord Thurso; Lord Triesman; Lord Willetts.

Evidence Session No. 26 Virtual Proceeding Questions 250 - 261

Witnesses

I: Dame Margaret Beckett MP, Chair, Joint Committee on the National Security Strategy; Sir Oliver Letwin, Former Chancellor of the Duchy of Lancaster; Lord O'Donnell, Former Cabinet Secretary.

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Examination of witnesses

Dame Margaret Beckett, Sir Oliver Letwin and Lord O'Donnell.

Q250 **The Chair:** Good morning, and welcome to this evidence session of the Lords Risk Assessment and Risk Planning Committee.

I welcome the witnesses. This morning, we are joined by Dame Margaret Beckett MP, the MP for Derby South and the Chair of the Joint Committee on the National Security Strategy; Sir Oliver Letwin, who used to be the MP for West Dorset and is the former Chancellor of the Duchy of Lancaster; and Lord O'Donnell, Gus O'Donnell, who was the Cabinet Secretary.

Welcome to all you. Last week I was rather formal and I addressed Lord Harris as Lord Harris, rather than Toby. This morning, I thought we ought to be a bit more informal, because it makes it all flow better, I think.

There will be a transcript of this evidence session, and you will have the opportunity to make minor appropriate amendments once you have seen it.

You do not each have to answer all the questions; some of them will be addressed to you individually. Please, both witnesses and committee members, keep an eye on the time, as we do not want to go on for too long.

Let us begin by my asking you this: the Government are committed to developing a comprehensive national resilience strategy. Do you have views about that? What would you like to see included in such a strategy?

Dame Margaret Beckett: I think that it is an extremely good idea—easier to imagine, perhaps, than to construct.

What would I like to see? The principal things are an understanding of what the components of resilience will be; un understanding of who can best deliver those components, which will no doubt be a variety of bodies and agencies; some kind of preparation for how they might be brought to work together and co-operate with each other, which is often, in practice, one of the greatest difficulties; and a good and clear communications plan, especially with the general public.

A focus on resilience could be a good thing if it makes you work backwards to an element of prevention. If you see what you will need to do to solve the problems, perhaps that is an encouragement to stem the problems at source.

The Chair: Of course, resilience is not just the responsibility of government.

Dame Margaret Beckett: No, not at all. It will involve local government and the private sector. It should and will need to involve everybody.

The Chair: Have a go at this, Oliver.

Sir Oliver Letwin: I agree with Margaret that it is a good idea in principle that people should sit down and try to think things through in some coherent fashion so that we become more resilient, but I think that everyone here, looking at the members of the committee and the witnesses, has quite sufficient experience of government to know that there is an extraordinary tendency to develop strategies that then appear in a magnificent tome, to sigh with relief and to do nothing much. There is therefore a danger that everyone will think that, by having a strategy, they have solved the problems we face.

I do not think, on the whole, that doing something comprehensive is likely to be productive. By its nature, you cannot comprehensively deal with risks. There are loads of things that you will not be able to anticipate in advance.

What is most important is to focus on a few very significant areas; to try to be clear, using the national risk assessment and other methods, what those areas are; to do whatever you can—by all means, let us have plans and strategies for this—to strengthen our chances of preventing things from happening; and—this is the most important point—to accept that we, not just us but the whole world, will not succeed in preventing every risk from materialising.

We, in particular, are weakest in knowing how to deal with circumstances that arise despite our best efforts, and in having flexible responses that do not depend on having guessed what will happen and why it will happen but that are capable of adapting themselves rapidly and effectively to the circumstances that we meet.

If the strategy turned into a short document that identified the main risks, set out plans for strengthening our resilience against those risks and, above all, established a mechanism for a flexible, ex-post response in the light of the unknown or unanticipated occurring, it would be a very valuable exercise.

The Chair: Gus, how does that sound to you?

Lord O'Donnell: That all sounds very good. What I think has gone wrong—I refer in particular to Oliver's point about strategies that sit in our bookshelves—is that we have spent a lot of time in these things looking at who might cause us harm, and why. What you really want ask is, "What are you going to do about it?", and, "How do you keep things working?" That is the crucial part.

We need to emphasise things such as built-in redundancy. Have we done the war gaming and the stress testing beforehand? It is absolutely true that we need to think about this. I am a big fan of bureaucracy in many cases, but it can be very inflexible in a crisis. Where do you flex? How do you maintain accountability during a situation where you need to move much more quickly?

Those things are really important. There should be some process that says, "Are we doing what we said we would do?" There are lots of things where we say that we will build up contingency stores or do these various things. I stress, and as I think Margaret said, that it is not just the public sector; this is all sectors. I could come back later to what they should all do, but I think we need some process for asking, "Has anyone actually put any money behind this?"

In the last spending review, were there funded contingency plans for people to be able to keep the money and keep the PPE, and not think, "Well, we'll run that down, because we can build it up later"? Those things are important.

I also stress this business about communications. We have learned from crises of a longer-term nature—and Covid has taught us this—that we are quite good at the crisis response. The short-term terrorist stuff and all the rest of it we have done to death. As to the longer-term crises, there is a specific feeling that Covid is a health crisis. I do not; I think of it as a mixed crisis. It is a health issue, but until you have vaccines and treatments that work you are solving it by economic and behavioural means, and you are solving it by communicating with the public, so you need a mix of skills. That is where resilience strategy needs to think about how we cope with those sorts of more complicated, longer-term issues, which I would say you should handle not via COBRA but via different processes.

The Chair: I can tell already that this will be a very good session.

Q251 **Lord Robertson of Port Ellen:** Margaret, I specifically want to ask you about the report of the Joint Committee on the National Security Strategy on biosecurity. It is pretty well self-evident why you did that, given the nature of the crisis that we are in. You made some pretty robust conclusions and recommendations, which are fascinating and very interesting to this committee. Will you outline what you think are the key recommendations that your committee made? Will you give us a frank assessment of what you thought of the Government's response, or do you think that the Government's response was actually the integrated review and its recommendations about resilience?

Dame Margaret Beckett: In some ways, the answer to your question begins with a yes on the integrated review. As I recall, I do not think that the Government's response at any point said no, but there were recommendations that it did not touch on—for example, on struggling with how you monitor and ensure that the stuff that you put in train is actually happening, and how you maintain that. We suggested a specific task force. The Government did not say no to that, but they did not mention it. Their response was full of words such as "review" and "consider", with many references to the integrated review.

I thought that the Government's response was courteous, and there was nothing that I would say was particularly wrong with it, but if you are asking me whether it reassured me that we will not see a repeat of the

phenomenon that we have seen before whereby we had contingency plans, events, and then failure of response because of a lack of flexibility and so on, as Oliver and Gus have been saying, I would say, frankly, no, not least because, it seems to me, although there is perhaps some prejudice in this—I think it was Gus who talked about contingency plans, the resourcing of stockpiles, and so on—part of the problem was that we had not necessarily learned the lessons of this crisis, never mind previous crises, or devised the means to monitor what was actually happening, either at government level or at other levels, that would keep us safe or give us greater resilience for the future.

I vividly recall that we took some very interesting evidence from Penny Mordaunt, who was very specific about the fact that she thought that there ought to be much more concrete, detailed and regular exercises, not just at government level but involving local government or whatever, as a means—she did not put it quite like this, but I will—of training Ministers and keeping skills up to date and exercised, so that things did not hit people who were quite so unprepared. I did not feel that the Government's response showed that we had learned all that.

Lord Robertson of Port Ellen: You looked at the present crisis, especially the biosecurity issues. If somebody asked you how we got this pandemic so badly wrong when we had an exercise in 2016 on a pandemic, where general lessons, you would have thought, should have been raised, how, given the experience that you have had with your committee, would you answer the question: how did we get it so wrong?

Dame Margaret Beckett: One of the interesting things that emerged more clearly during our hearings is that there was that exercise, as you say, which exposed weaknesses but its results were never published. It eventually leaked, but it was not actually published. Only two years after that exercise had been conducted, the Government produced a biosecurity strategy, which was very well intentioned but did not refer to it at all. It did not even mention it. It did not acknowledge that it had taken place, let alone learn lessons from it.

The Government then devised a biosecurity strategy, and along with that were various mechanisms for monitoring, maintenance and supervision—a sub-committee of the National Security Council, for example. As far as I can see, it never met. Under this Government and the present Prime Minister, it was not reinstituted.

Yes, there was a strategy and there was supposed to be a framework, but it did not actually exist. We had a contingency plan that, to be fair, was very well regarded internationally, and it may even be true that our plan was better than anybody else's, but not when it hit reality.

Lord Robertson of Port Ellen: I wonder whether I could ask Gus what he thinks about that.

Lord O'Donnell: It is very true. The problem is that, when you do these table-top exercises and you reveal big gaps—I have done them

particularly for terrorist events—you cannot publish that immediately, for obvious reasons. You want to work on getting them right.

For quite a lot of the terrorism-related issues, you can change things. I remember changing rules about ambulance workers being able to go to places and actually help injured people in the event of a particular Mumbai-style attack, which was something you could do, and you can then publish that.

The point that Margaret is making is that, when you do not eventually publish the response and what you have done about it, there is a great risk that nothing has happened, and there is a great risk when you are running services hot, as we do in so many areas, and you are looking for every efficiency gain, that the money and all those contingency plans get soaked up somewhere else. We need some process to stop us doing that.

The Chair: This seems to be coming back to a focus on the Treasury, almost. That is just a side-point.

Q252 **Lord Clement-Jones:** Good morning. I have a broad question to each of you in turn. Are our current risk assessment, planning and response structures too oriented towards national security threats? Should the national security risk assessment therefore be re-separated into two versions, dealing with threats and hazards separately? I am mindful of the fact that the current version of the NSRA combines malicious and non-malicious risks in a single risk assessment product. Of course, it was two before. Gus, shall I start with you?

Lord O'Donnell: As a short answer, I do think that there is a lot to be said for separating them, and that is what happened in my day.

I also think that there is a bias in these things. We look at national security through the lens, dare I say, of securocrats, who think about these things in a particular way. The risk that I pointed out when I left office at the end of 2011 was the break-up of the United Kingdom—constitutional shocks. Do we have a contingency plan for the break-up of the UK? No. I do not think anyone has done it. Northern Ireland or Scotland? No. What about trade wars? Did we have a contingency plan for the global financial crisis? No.

I think there is a strong bias in these things towards particular areas: health, biosecurity, defence, terrorism and those sorts of things. In lots of other areas, the Treasury has long resisted having anything to do with its business or international risk register. To this day, that culture has not changed enough, in my view.

Lord Clement-Jones: Would you go on to say that the mechanisms that are currently there such as the National Security Council or indeed COBRA, which you mentioned earlier, are therefore not always the right ones for that?

Lord O'Donnell: They are fundamentally wrong for that. I am a massive fan of the National Security Council. I think that it is exactly the right way

to handle national security-style issues, where you need the intelligence agencies, the Ministry of Defence and all those sorts of people around the table. The NSC for a global financial crisis? No, that would be completely hopeless. You would need something completely different. We need some different structures, and we need to understand things.

There are constitutional crises. There could be a lack of trust in government of all sorts. They might think, curiously enough, that they cannot trust what Ministers say. Suddenly, you get this breakdown, and your ability—we have seen it—to convince the public to do things when you need them to is diminished by the fact that there is less public trust. That kind of issue never seems to get handled very well.

Lord Clement-Jones: Margaret, just to continue with the same question, but also to follow up, the NSRA is classified into either "official-sensitive" or "secret". Does that compound some of the problems that Gus was talking about?

Dame Margaret Beckett: Quite possibly. One of the things that my committee recommended a long time ago is that the Government strive to produce something. We of course recognise the need for security, secrecy and all that, but the Government should try harder to involve the public in something that does not need to be classified—perhaps a lower-classification document—but a programme to try to acquaint the public with some of these issues and dilemmas so that they have a better understanding before suddenly they are hit with some demands that are unexpected. I have never seen any tendency in any Government to want to take on something of that kind.

Going back to your original question, yes, there is no doubt that the national security side of things overwhelms the hazard size. I entirely take Gus's point about perhaps splitting it and having different bodies and so on, but I am slightly nervous that there is a very real danger that the whole issue of hazards and unforeseen dangers, as opposed to hostile acts, then goes down the agenda, particularly the agenda for funding and resources, and in the attention people pay to it. That, too, is a problem, although I entirely take Gus's point about there being a different group of people you might want to deal with different particular issues.

Lord Clement-Jones: Oliver, do you agree with that? Would you separate out? Are you equally nervous?

Sir Oliver Letwin: I do not know whether these things should be separately assessed, registered or otherwise. I do not think that is the crux of the problem. I think the crux of the problem, which both Gus and Margaret are pointing towards, is a quite different one. Incidentally, this is not special to the UK; it is a very general phenomenon.

Inside the Ministry of Defence, there are all sorts of people planning for things that have not yet happened. They do that very seriously, and they spend a lot of time and a lot of our money doing that sort of thing.

Whether they do enough of it and do it well enough, I do not know, but they are serious about it.

Outside the Ministry of Defence, government is not serious about these matters. I struggled for years, as Minister for Resilience, to interest colleagues at all levels in our resilience to things other than war-like attempts to destroy us. I could get the Ministry of Defence interested in these matters at any time of day; elsewhere not, and particularly not in the Treasury, I may say.

The reason is not that there is some malign group of people in the Treasury; it is that they are aware of intense pressures and they are trying to manage those pressures, and so are departmental Ministers. They are under day-by-day pressure to deal with things on which their reputations and the smooth running of the country depend. If you go to them and start talking to them about something that may never happen and almost certainly will not happen while they are still in post, you can imagine the level of interest that they display. I will not go into the stories of the many unhappy encounters I had of that kind.

Margaret runs one of the more powerful committees around, but, in the end, Ministers can appear before it, say all sorts of things, go away and write all sorts of strategies, and nothing needs to happen, because they just go back to the committee all over again a few years later, and Margaret, her successor or whoever complains that nothing has happened. And so we go on in this fashion from year to year, with more and more strategies and more and more assessments, and with no actual visible funding resource.

This is an insurance problem, and you have to spend money on it. Spending money is difficult, as you are not administering to things that will happen and that are already happening under great pressure. We had to find a solution.

I want to give you an example. Literally at this moment, I understand that the Government's official team has already produced a PNT strategy for dealing with the timing and navigation systems that are absolutely critical and are widely acknowledged to be absolutely critical to everything—to the delivery of goods, to transport systems in the UK and to our financial sector. As I understand it, what is going on inside government at the moment is an almighty row, because nobody wants to be the ministry that is responsible for it, because nobody wants to take on the funding of it; nobody has a budget for it. This is replicated over and over.

I personally no longer believe this. I have sat down and tried to think through these things. I wrote a book about it, and I have come to the conclusion that we will never actually get over this until we have some external body that is independent and funded properly by government, and statutorily established, such as the climate change committee or the Monetary Policy Committee of the Bank of England or something.

It would be a group of people who are apolitical, serious and empowered to deliver regularly to Parliament a very public report—they are there not to make decisions or to do things—that says, "Here are the gaps. Here is what needs to be attended to", and that monitors, prods, creates political pressure and interests the media in this, so that politicians get interested in it.

Exactly how some device of that kind should be structured I do not know, but it could be discussed at length. What is important is that there has to be some external stimulus that is constantly in favour of taking out insurance policies for things that have not happened and are quite unlikely to happen but would have big impacts if they did happen.

If there was that kind of pressure in the system, people might start doing all the things that Gus, Margaret and I have been talking about and that many of your other witnesses will no doubt talk about. Until then, you can write strategies and separate assessments and do all those things, and never really get any further than you are already, because it will only be the Ministry of Defence that really takes them seriously.

Lord Clement-Jones: Thank you very much. We will store that suggestion away.

Q253 **Lord Rees of Ludlow:** This is a follow-up to what Oliver has just been saying. To what extent can we achieve any necessary changes to risk and resilience policy within the existing machinery of government? Do we need to establish new bodies, or can the existing ones be reworked and reoriented?

I guess Oliver Letwin would probably say no, but perhaps I may ask him to expand a little bit more on his last answer. May I say also how much I enjoyed his book? Everyone should read it. Oliver, what about reorganising the structure of government? Will you say a bit more about that?

Sir Oliver Letwin: There is a danger here, which is that, if people think that there needs to be a new structure—Gus and Margaret have both rightly been saying, and I have certainly been saying, that there does need to be a new structure—they will lunge for doing something that innumerable committee reports on innumerable subjects have recommended, which is a Minister; that a Minister will solve this problem, or perhaps even a ministry.

In my view, neither a Minister nor a ministry will ever solve this problem, because the Minister and the ministry, if there is one, will be starved of funds in just the same way for just the same reasons and will be powerless. You will never have a Minister at the relevant rank to take on the Chancellor of the Exchequer and the Prime Minister of the day and tell them that they have to spend more on something that is not happening, rather than spending it on something that is happening and that you are worried about.

In my view, therefore, it has to be a body that is outside government, and that is why I am saying something like the climate change committee or the MPC or whatever, which is not captured by that and is fearless. Therefore, it has to be headed by people who are authoritative and serious and has to have at its disposal the one weapon that ever has an effect on politicians in a democracy, which is the media. If it can stir up real interest in the public ahead of time—instead of waiting until Covid happens and then everyone being very interested in Covid—it can try to get people interested in the possibility of a thing such as Covid before it happens.

If there is a body that can do that, I believe that, within the structures of government, people will get motivated. As soon as Ministers feel that there is a reason for action, and as soon as the Treasury and No. 10 are therefore behind taking some action and spending some money on taking some action, the civil servants, in my experience, are good at this kind of thing; it is one of the things they are good at. If you set them in the right direction and say that we want to build our resilience in this particular area or of this particular kind, they will sit down and think it through very seriously, drawing in many resources.

It is more difficult in many cases in the private sector—this is a point that Margaret made earlier—where people are more aware of the need for insurance but are, first, facing financial pressures and, secondly, do not have the resources that the Civil Service often has to organise and strategise.

I do not think this is a problem of lack of capacity in our Civil Service. This is a problem of lack of political will, due to lack of external stimulus, in favour of insurance policies, and therefore I think there needs to be an external sort of stimulus.

Lord Rees of Ludlow: Gus, do you share that view?

Lord O'Donnell: Yes. As ever, that is a very good question.

I would like first to make a cultural point. There are two reasons why the Treasury does not do this. One is the point that Oliver made: that it is spending money now for something that may never happen, and it is really hard to get anyone to do something about that.

The second is the principle that I, as an economist, am quite happy with, which is that the Government do not insure, because we insure ourselves. We are big enough, we pool the risks and all the rest of it.

Those things indicate why Oliver is right. To overcome them, you need an external body. It is not a surprise that some of the most successful external bodies, I would say—Oliver mentioned the Monetary Policy Committee, and I would add the thing that he set up during his time, the Office for Budget Responsibility—make the Treasury do something rather different from what it would normally do and make it think about long-term fiscal issues and all the rest of it.

I do think that there is a case for an outside body that can have a longer-term view and that can, as Oliver mentioned, get the media onside and start to say, "Look, there are these real problems".

On the private sector side, I think the solution is in the regulatory structure. These areas are generally regulated sectors—the energy sector, or water. You can think about smart regulation, which can do the right things.

Bodies are very important, but one of the things that I found most important in dealing with a crisis was clarity of responsibility about who is in charge. If I could have just one thing within government, it would be that. Just tell me who the main person is. Who will run this? Is it this Minister or that Minister, or whatever?

It is when you do not have that clarity that things start to fall apart. All those external things are very important long-term solutions.

Lord Rees of Ludlow: Margaret, do you agree with those points?

Dame Margaret Beckett: Yes, broadly I do. Despite what Gus and I said earlier, I am a little sceptical about saying, "What we need is new structures", and so on in a simple kind of way, not least because of exactly the point that Oliver made, which is that that almost always ends up with, "We need a Minister for this", or, "We need a government department for that" and so on, and it rarely makes the difference that you are trying to achieve when you make that proposal.

I have tried to think more than once about how it is that you can make a difference. I am always very mindful of this, and it can happen under any Government, but I will give you a concrete example. Both in the early 1980s and after 2010, when a new Government comes in one of the first things that they do is to cut the long-term capital programme. One of the first things that was done under the austerity programme in 2010, for example, was to cut the floods budget, when we had only just had major floods, and there was clearly every prospect that we would be having them again, probably every year.

How does one overcome that? One thing that strikes me about any body—and I share Oliver's view that there is something to be said for trying to have it as an external body—is that it needs to have the capacity either to commission or to be able to draw upon a thorough financial assessment of the long-term financial implications of various policies, or lack of them. The thing that, in my experience, has always been the hardest to do—I say this with all due deference to former Treasury Ministers or civil servants—is to get the Treasury to take on board the long-term implications of something, as opposed to what will fly in this year's Budget or next year's Budget.

One of the reasons for that, I think, is that we do not have the depth of thorough and sound financial analysis for working out the long-term costs of, say, a floods programme—of not doing it, as well as of doing it—that

provides the evidence base on which the worthy people Oliver is talking about from some outside body pressure the Government and the Treasury.

Looking back—I see Des Browne here—I recall the problems that we had in trying to get the Treasury to look more long term and to take seriously an invest-to-save programme and all that kind of thing. It has always been an issue under successive Governments. How do you overcome it? The only way I have been able to think of is to try to amass that kind of evidence specifically geared towards the long-term hazards of not doing this. That is at least a weapon in the hands of such a committee.

Lord Rees of Ludlow: It seems there is a culture difference between the MoD and the other departments, as the MoD does plan and invest long term in things that it hopes will never be needed. We want a bit of that in the culture of other departments, I guess.

I would like to hand over to David Triesman, who wants to follow up on some of these questions.

Q254 **Lord Triesman:** Good morning, everybody. I think it is probably the case that all three of you have been saying that there is a cultural inclination to look for a Minister or a ministry, but that is not really what would work best. Therefore, there would need to be a significant cultural shift. How might that cultural shift to creating the sort of body that you, Oliver, and others, have been referring to be achieved? Obviously, one of the hardest things to do is to get people to change a culture. You can often much more easily get the mechanics changed, but the culture would need to change as well.

As a small supplementary issue to that, are there some things that are so serious, were they to happen, that you would have to plan so that they could not happen even once?

Sir Oliver Letwin: The question of how you would get some new body in power to do the things that we have all been talking about has an immediately relevant answer, which is that it has to be after a crisis, and it has to be very soon after a crisis.

I know this sounds amazing, but I promise you that it will not take terribly long after Covid is under control on a permanent basis for people to forget, not in the sense that they will not actually be able to recall much of the detail, but in the sense that it will not be poignant any more, and they will be on to the next thing.

The time to do this is roughly now. Your committee is working at the right moment. We have a moment, and we should of course have done this after the 2008 fiscal crisis. There were many other crises after which we should have done it, but we have one, a thumping great crisis, a really mega-crisis, a global crisis, right here now, so there is never a better time than now to start working towards creating such a body.

The second point is that it has to be apolitical, and the only way in a democracy to be apolitical is to be multi-political; you have to have all the parties sign up to it. It was that way with the Climate Change Act. I remember going to see David Miliband when he was the Environment Secretary and I was his shadow, and I said to him, "We ought to do something like this". He said, very charmingly, "I can't prevent consensus from breaking out". There was a consensus then, and we did establish something that all the parties signed up to. That meant that none of us could fire bows and arrows at each other for advocating things that were expensive now but would help to reduce the threat of climate change thereafter.

More or less, that held. It frayed a bit at the edges, but, more or less, that has held. That is the second crucial component. Again, that is much easier to mobilise in the face of an immediate crisis. As we come out of this crisis, everybody recognises there is a set of problems we need to handle that are not Ministry of Defence-type problems but are much wider in the economy and society. Now is the time for the body.

The third point about setting these things up is that it is not that the culture changes overnight—it does not need to change overnight, because there are plenty of people inside Whitehall who are alive to these things or are willing to be alive to these things. We are not trying to persuade a group of people who are insouciant or irrational; we are trying to liberate the forces of all those who would like to do something.

Margaret very sensibly talks about flooding, and exactly what she described happened. It did not take very long before I found myself wandering around flood zones in Wellington boots every Christmas; that destroyed a couple of Christmases. By the time we had got through a couple of Christmases, we recognised that these one-in-a-1,000-year events were actually occurring every other year, and we put some more money into it. Eventually, it was there. There were not people who were really or deeply resisting it; they just needed a prod.

My sense here is that it is not like getting people to think a whole new way about the world, which may take centuries, nor is it something that you can just do overnight. But if you set up the right mechanism in the weight of this great crisis, you can get all the political parties behind it. If it becomes a statutory body and starts work, I think you would find that all sorts of people over Whitehall and even some politicians within Westminster began to take a real interest in it, because they really always had, but the inner insurance person has never emerged, because it has never been a sexy thing to talk about. I think it could become so reasonably quickly. Over two, three or five years, I think that we might significantly improve the culture.

Lord Triesman: I turn to my former boss, Margaret.

Dame Margaret Beckett: I do not disagree with that at all. Obviously, there has to be pressure generated to get the present leadership to be

prepared to take on such an issue, but I think Oliver is right. I think that people would volunteer from all over the place.

Quite simply—I hope this is not discourteous in any way—James, you and I, Toby Harris, and various other people, have from time to time gone along to seminars and engaged in talks about various dramatic events, such as sunspot activity and so on, that everybody hopes will never happen, but we are all interested, engaged and concerned. The world is full of people who have these concerns, and the thing to do is to find a means by which you bring them together.

Lord Triesman: Gus, is this the moment?

Lord O'Donnell: Yes, this is very much the moment. I will tell you why. Oliver made a reference to it when he was talking about floods. We used to think that floods happened once in every X years, and we got that wildly wrong.

If you look at the global financial crisis and at things that happened there, the models that we were using at the time said that these sorts of market movements could happen once in the life of the universe, and we had two in a week. The models were wildly wrong, and the reason that the models were wildly wrong is that they are based on the past. We extrapolate from the past—that is basically the evidence that we have. If you have a past that is boring, the future predictions are boring. If you have a past that is really interesting and has wild crises in it, then you start to think about—and the models are capable of predicting—future crises.

After the global financial crisis, we realised that the models were wrong and we built greater capital requirements on the banks. You will have seen during Covid that the banking system has worked rather well. We are in a situation now where, post Covid, we have realised that these crises can have dramatic impacts, with a 10% fall in GDP last year, and a massive fall in the well-being of the population. There was a dreadful performance in death rates compared with other countries. We did incredibly badly, and I spelled all that out in an article in *Fiscal Studies* in November 2020, just to get that plug in.

The Treasury is aware that this thing has cost it billions. We used to write papers about how we must not let the deficit go above 3% of GDP. We are way above that now. It has cost far more than any of the many Treasury Ministers on this panel would know. This is beyond terrible. It is a matter of actually spending some money on prevention, stopping this sort of thing and trying to learn the lessons that we did post global financial crisis now.

We need to do this quickly. One thing I would say is:, please do not wait for this interminable inquiry that will happen, with judges. That has absolutely no chance of doing what you need to do in the timescale you need to do it. If you will do something, we need to do it very quickly and we need to get on with it.

There is a cultural problem. The civil servants are there for the longer term, and they like doing these longer-term things. In politics, the pressures of our system mean that, unless you can get cross-party agreement, it is very difficult, and I commend all those politicians who have succeeded in doing it. Something such as climate change is a classic, where we desperately need cross-party agreement to get on with these things. We may need it in some of these other areas as well.

Politicians are not incentivised that way. That is one reason why I would like there to be rather longer terms for our Parliaments, but that is another issue.

The Chair: That leads us straight into Lady Symons's question.

Q255 **Baroness Symons of Vernham Dean:** It certainly does, and it is very much on the same theme.

Gus, in answering the Chair, you opened by saying that there was not enough longer-term thinking on a whole range of issues, but how do you encourage government and politicians to think about the longer term when we have the electoral cycle that we do?

The Ministry of Defence was mentioned as being one of the ministries that does think longer term. I was a Minister in the Ministry of Defence, and we were completely unprepared for the foot-and-mouth crisis in 2001. Indeed, we said it was none of our business.

It is all very well to say that we can set up these bodies, but the great mantra—when I was the leader of the Civil Service union, and still when I was a Minister—was that civil servants give all the information and the advice but, ultimately, it is the Government who decide, and the Government are driven by the next election. Gus, how do you overcome that?

Lord O'Donnell: You are putting me into dangerous water here.

Baroness Symons of Vernham Dean: Deliberately.

Lord O'Donnell: Indeed. As civil servants, you have it absolutely right: it is for Governments to make these decisions. We can try to create the environment in which it is easier for them to think about the longer term.

Governments do make longer-term decisions, and we do make big, long-term investments. Whether you think they are the right ones or not is an interesting question, but we are about to invest a huge amount in more infrastructure. The question is: do we make investments in the right way?

There are some processes that could change. I have long taken the view that the spending reviews should be longer. To my mind, it is completely bizarre that, when I joined the Treasury, our spending plans were year by year, as Lord Willetts will remember. What corporate structure would ever think about doing stuff like that? How can you do long-term thinking when you are doing it like that?

I would like us to have longer terms. I would like a Fixed-term Parliaments Act that had five-year terms with five-year spending reviews and did not have all the problems that we have with the Fixed-term Parliaments Act.

Other than that, it is very hard to think about how, in the absence of taking recourse to external bodies, to try to input the longer-term view and how you radically change our democracies to change these things. It is a feature of democracy. Democracy has many advantages, but it has certain disadvantages as well.

Baroness Symons of Vernham Dean: Oliver, may I ask you very much the same question? All three of you have been very clear on the fact that Governments do not do enough long-term thinking, but when you are in a democracy—all of us want to be in a democracy, rather than a dictatorship, and for it to decide as it wishes—how do you change government thinking from short-term popularity to win the next election to the longer-term issues?

Sir Oliver Letwin: Rather than theorising about this, it is useful to look at real-life examples. That is why I was quoting the examples of the MPC and the climate change committee and Climate Change Act. The handling of monetary policy and the handling of environmental policy were horribly plagued by short-termism for many years, and Chancellors of the Exchequer were prone, under pressure from next door at No. 10, no doubt, and from the general populace, to manipulate interest rates to win the next election.

Eventually, we all grew up and, in a succession of moves, starting with Ken Clarke's wise men and then Gordon's move with the Bank of England, these things were changed. The handling of interest rates was put in the hands of people who were inconveniently uninterested in the results of the next election.

If you asked almost anybody who thinks about these things, of any political disposition in Britain today, they would say that was a good thing. It is a better system that Gordon invented than the system that there was before. It is just here for saying. Has there been some damascene conversion of a set of people? No, not particularly. I think everybody knew that setting interest rates to win the next election was a bad idea when they were doing it. They just found the temptation irresistible. Now, it is not so much that the culture has changed; it is that the institutions have changed, and the real, underlying culture has therefore been able to escape or come through.

I think that the same is true with climate change. The truth is that, if you wanted to win the next election, you would almost always spend some money on something other than preventing an intolerable increase of greenhouse gases, because that will have an effect a long time off. But we do not. We are now as a nation, and we have been, over successive Administrations, and for quite a long time, quite serious about this. It is a very long-term concern, but we take it seriously, we spend money on it,

we tax for it and we regulate it. We do all the things that we do when we are serious about something that is a very long-term proposition.

These things are doable, but you need a structure that means that the politicians operating in a democracy nevertheless have an incentive to do the right thing: there is some pressure on them to do the right thing, and the disincentives for doing it are lessened or removed. That is why I am saying that it has to be cross-party, external and so on, because that gives you, on the one side, a prod to do the right thing, and on the other side deprives the political class of the ability to be nasty about each other when one of them is doing what the other knows perfectly well, if they were in government, they would want to do, too, which is something long term.

You have to think about this as a whole and understand the motivations of the politicians, but once you understand them and you have a structure that accommodates that, we should be optimistic. We can do these things much better.

Baroness Symons of Vernham Dean: Margaret, I remember when you came in as Secretary of State in the Foreign Office, and you put climate change very much at the top of the agenda there—I remember hearing you speak on it on a number of occasions—but the truth is that it did not get much traction at the time and, worryingly, it did not get much traction with the Civil Service. Do you agree with that as an analysis of what happened? Do you agree with the others about how we address this in future?

Dame Margaret Beckett: I think that it got more traction than was particularly visible.

Baroness Symons of Vernham Dean: Yes—I suspect so.

Dame Margaret Beckett: I remember, some years later, encountering a Conservative Back-Bencher who had been on a visit to the United States and was waxing enthusiastic about the interesting and useful conversations he had had with the bright youngsters based in our embassy about all the implications of climate change and the work that was happening on that. He said to me that real change had begun to happen within the Civil Service as a result of that push, which was of course not merely my idea but was at the direction of Tony Blair, when he sent me to the Foreign Office, because he recognised that—and as I believed.

I remember that under our chairmanship of the Security Council we had the first-ever debate about climate change as a matter of peace and security. Obviously, the Americans did not want to have it anyway, but that was by the bye. There was a lot of real scepticism: "This is not a peace and security issue". It always seemed self-evident to me that, if people cannot get water and cannot grow their crops, they will move, and that becomes an issue of peace and security. That is what has happened throughout human history, so I could never understand the argument

that this is a sort of side-issue. It seemed to me to be absolutely germane.

Going back to the genesis of this question, there is nothing in our present system that prevents a party or Government from thinking more long term, and deliberately doing that. I am sorry if this sounds partisan, but that is exactly what happened in the Labour Party in the 1990s and coming up to the 1997 general election. At the time, I was shadow Secretary of State for Trade and Industry, and I did endless meetings and dinners—I think it was Michael Heseltine who called it the "prawn cocktail circuit"—telling people what our approach was, what our interests were and what we wanted to try to achieve. Almost every time, somebody would say, "Of course it is right that you put this investment in and you have these plans, but this is not going to pay back in one Parliament. This is not going to pay you back before the next general election". I would have to say, "Yes, we know that, but we have come to the conclusion that it is so important that it nevertheless has to be done". Obviously, you do your best to ensure that it has a return of some kind within the political cycle, but it is necessary for the country for it to be done. Rather grudgingly, sometimes, people on the whole began to accept that, and that is of course exactly what we did do.

Going back to the conversation that we were having about the Treasury, if I recall correctly, one of my arguments then in the business community was, I think it is right to say, that at that time the Treasury did not really have, as any business would, a capital account and a current account. It was all in the mix together, so it was in your interests to cut the capital budget, as that was the easy way to solve your current problems.

I mentioned the invest-to-save programme earlier. I cannot remember whether it was Andrew Smith or Alistair Darling who introduced it, but I know there was a good deal of resistance. That is not the kind of thing we do: put money in where there is not an immediate need. These are the things that have to be changed, but they can be influenced and changed within our present system. It is desirable to do these other things that will make it even more likely, but it is not precluded if you can generate a climate of debate, interest, understanding and, to my mind, evidence.

I have always been impressed by the fact that one of the biggest campaigners on the issue of climate change for years has been the big insurance company, Swiss Re. All right, it is in its financial interest, but it is also in its field of expertise. I think that it is possible to do these things if there is the political will. So many things come back to the two words that we have not used this morning: political will.

Q256 **Lord Willetts:** This has been really interesting, and there is such a clear consensus among our three witnesses in favour of some kind of new body or entity.

It would be really helpful to ask two questions. First, imagine that this new entity existed. What exactly would it do? It would be helpful to unpick that a bit. Imagine that any one of our three witnesses was the

person put in charge of it. What is it that, in year one, is supposed to happen that starts making things different?

That leads on to a second question. For us as a committee, we might be so persuaded by what we have heard today that this becomes a key proposal. Is there anything that can be done, step by step, to move us towards the things you want this new body to do, even if it is not set up or does not yet exist? What are the incremental steps that would be taken either by the new body or perhaps even by a Government before any such new body existed?

Oliver, you have been eloquent on all this. Do you have any further advice for the committee?

Sir Oliver Letwin: In answer to your first question about what this body would or should do, what I think it needs to do, to start with, is to identify the gaps.

Dame Margaret Beckett: Yes. Exactly.

Sir Oliver Letwin: I do not mean the gaps in the strategy; I mean the gaps in preparation: actual systems, people, laws and funding that are not there but that need to be there.

The second thing, which has to go hand in hand with that, is what Margaret was referring to: that this body cannot operate as a group of people sitting around a room chatting to one another; it has to commission really serious investigation by people who know what they are doing of the costs and benefits of different things. It needs to be able to think very seriously about things such as black swan events and discount rates. If it is mesmerised by discount rates, which are perfectly sensible ways of doing calculations about whether a firm or a person should spend money today or keep it for a year, it will not be able to answer the questions it needs to answer, because the whole structure of discounting, net present value and internal rate of return is not suited to insurance risk of the kind we are talking about or to the assessment of black swan events and their consequences. Therefore, it needs to do some very serious intellectual work and to commission some very serious intellectual work to look at what sorts of things we ought to be prepared to deal with and what kinds of costs we ought to be willing to bear to deal with them.

Identifying the gaps in actual preparedness for action and serious concern with laying out the evidence and assessing the costs are two crucial things that we should do right away.

Probably the only other thing, but certainly the third thing that it needs to do, is to develop a strategy—and this is genuinely difficult—for interesting the wider public and hence, ultimately, the politicians in crises that are not happening.

Right at the beginning, Margaret mentioned communication, and Gus then also referred to it. Of course, communication during a crisis is a very

important thing, and we have seen how enormously important getting it right and getting it wrong can be in the current crisis.

An even greater challenge is to find a means of interesting people in events that are far off and may never occur. That will require some real thinking. I think that there are people, in Britain and around the world, who could help such a body formulate ways of doing this. It will probably require some experimentation, and I doubt that we will get it right first time, but, if this body were to identify the gaps, develop a robust, intellectual approach to how to look at the evidence and get a sense of the costs and benefits, and if it were to find a means of interesting people in these issues, it would be doing an enormous amount of heavy lifting.

As Margaret absolutely rightly says, any Government could decide tomorrow to do these things without any such body, but they will probably not. This would do an enormous amount to make it more likely that not just whoever is the Government then but subsequent Governments took it seriously.

Lord Willetts: Of course, as you have just said, obviously you want to see this new body created, but, equally, that very useful job list could possibly be discharged, even while we are waiting for the new body to be created. Do you have your own account of why it has not happened? Could anything be done to make it happen even before any such body is created?

Sir Oliver Letwin: Yes, there is, and Margaret explained what it was: it is the two words "political will". If the Prime Minister decided to do the three things I am talking about, or rather to commission a whole heap of people within and outside government to do them, of course he could. I am willing to bet the committee any amount of money that the committee is collectively willing to wager that it will not happen by itself, but if he wanted it to happen, it could happen.

Lord Willetts: Gus, do you have any advice for us on what the new body would actually do and whether there are any credible incremental steps in the meantime?

Lord O'Donnell: Yes. If you think about new bodies, the one I would look to is the National Cyber Security Centre. We set it up. It is a big threat, and we are beginning to realise quite how big a threat it is. It is an independent body, although it is possibly not as independent as the kinds of things that Oliver was talking about earlier. I would say that an ideal body might be slightly more independent than it. However, it is working not just with government but with the private sector, and it is giving advice to individuals on things such as phishing and scams. I know the former head of it, Ciaran Martin, very well. He has talked to boards of very large financial institutions to help them sort out some of the issues that you would have thought would be sorted out but are not. I do think we have a model there.

We should be absolutely clear that these are global issues, mostly, and that we should learn from other countries. "Has anyone else set up a body like this?" "Is there something out there that is working well?" "I do not know. I have not done that research". Our view about always creating our own stuff, rather than dealing with product from others, is a bit of a mistake, I think.

The thing that we could do in the meantime—the point that you made, without having any body—is the spending review. There is one coming up. It is very clear that, if there is political will, then for God's sake in this spending review let us allocate some money for things that we think are really important for prevention and for building greater resilience. That is very clear. We will know the answer, and it will be very transparent.

Those are my two ideas.

Lord Willetts: Thank you. That was very helpful. Is there anything that you want to add, Margaret?

Dame Margaret Beckett: When Oliver began to speak, the words that were in my head were "Identify the gaps", and those are exactly the three words with which he started.

There are also things that we could perhaps learn from the private sector, if it is not heresy to say so. I have done a number of rather weird things in my time. One of them was that I was landed with responsibility for the millennium bug, which everybody says never happened and was all nonsense, which I think is not actually entirely true. However, one of the things that happened then was that we had to bring together—when I say "we", we set up a very well-organised separate body to do it—the private sector and the public sector.

There are two things about that. One is that everybody said, for instance, "I am telecoms and, yes, I can guarantee resilience if I have water and electricity". Electricity said, "I can guarantee resilience if I have telecoms and water". Nobody was going to step forward and say that they could guarantee resilience for anything on their own; everybody was dependent on some of the others. As time went on, it became more and more evident how great those interdependencies were and that they were necessary to play on.

The other thing that came out over that period, in a lot of discussions with the private sector, was that, within the private sector, there are often people who are doing more of this. You will perhaps more readily find on the board of a private sector company what its five-year, 10-year or 20-year programme for their company is. If you go—with all due respect to all concerned—into the Cabinet room and ask, "What is your strategy for the next five years?", you may meet with a rather dusty answer.

I vividly remember, and we have never been entirely sure whether it was a joke, hearing a story about somebody who very proudly said to Toyota,

"This is our 10-year strategy". It said, "That is very interesting. Let me tell you about our 100-year strategy". Nobody was entirely sure whether it was serious, but nobody wanted to assume that it was a joke.

There are lots of things that we can learn from other people, if only there is the interest and, to go back to the words I used earlier, the political will. One of the things that one has to try to do, going back to the issue of communications, is to generate a climate in which there are people in government and in the Civil Service who are interested in these questions and who feel some responsibility towards them. The question is how you incentivise them. Could somebody devise a way in which the Prime Minister of the day, whoever he or she might be, felt that they had derived some short-term advantage from perhaps being able to slightly push off responsibility for some of these long-term issues to a separate body? I am looking for ways to appeal to the worst in human nature to get people to do things that are in all our long-term interests.

Lord Willetts: Going back to Gus's example of the National Cyber Security Centre, one of the things that it did was to persuade auditors that, when they do company audits, they should regard cyber as a risk that needed to be assessed.

Dame Margaret Beckett: Exactly.

Lord Willetts: So there are those types of levers that can be used, and I guess that we are all trying to think of ways in which those exist in public life and political life, too.

Dame Margaret Beckett: Lots of companies, cities and so on that are doing things about climate change are doing it because their insurers demand it.

Sir Oliver Letwin: You mention audit. May I add one point that I had hoped to make in the course of this?

The National Audit Office, which does much good work, typically does it retrospectively. The Public Accounts Committee always, in my experience, does things retrospectively. It will tell you about any number of ghastly errors that a Government have made, but I do not know of any real push inside the NAO—I may be ignorant of some things that it was trying to do—and I certainly have not seen any evidence from any Public Accounts Committee over the past 50 years of it actually holding Governments to account through the audit process for the degree of insurance against risk. I do not mean insurance in the sense of literally buying insurance policies from insurance companies, with the reasons that Gus exposed for government to be self-insured; I mean building up resilience capacity, which is the analogue here. That is not recorded in the audit reports of the NAO, and it is not commented on by the PAC.

If we were serious about this, the PAC would be having several hearings a year, trying to find out whether government has properly put itself in the position of arming itself against future crises. The PAC is something

that politicians take seriously and it is something that civil servants take seriously but, at the moment, it does not create that pressure.

Lord O'Donnell: I strongly support that. I hate the NAO for its ex-post blame culture. It needs to be ex-ante prevention. Let us stop crises, not worry about who we can torture for them. That would make a huge difference.

Lord Willetts: Thank you very much. That has been very useful and helpful.

The Chair: I ought to be speeding things up, but this is so fascinating that I have not done so yet.

Q257 **Baroness McGregor-Smith:** On how we build our capability and skills as we think about how we improve resilience, could you talk to us a little bit about the skill sets that we need but may well not have, and perhaps talk about the challenges of staff turnover?

Coming from the private sector, I look at pay and I look at incentives, and I think: we have this huge ambition. How are we going to do it on the pay structures that are set in the UK? How much of a challenge does it have?

When I think about the experience of what we need, reading some of the reports particularly on turnover I am really concerned that we do not necessarily have the skills to fulfil any kind of ambition that we talk about. It will be interesting to get your perspectives. Perhaps we should start with you, Gus.

Lord O'Donnell: On pay, yes, I have railed for a long time: our pay is bonkers in the Civil Service. We give people most pay when they leave, when they retire. We are pension heavy and pay light. It is stupid and, as many people know, it reflects government accounting rules. If you reduce the Civil Service pensions it does not show up in any of the Treasury numbers anywhere, but if you increase their pay of course it does. That is crazy, and it distorts everything.

Then you have Ministers who come along and say that no one must be paid more than the Prime Minister, which is completely mad, in my view, and that distorts things very badly.

Those things matter, but they are not everything. Again, I go back to the example of the National Cyber Security Centre. We have managed to attract really good people to that, and it is a very highly paid area. These are incredibly interesting, responsible jobs. I do not give up on the fact that a lot of good people want to come and work in the public sector. To be honest, it is a better environment, and you are doing some fascinating stuff.

I think that pay is part of it. Pay is particularly difficult in certain areas, such as procurement. People who are good at procurement tend to be very money oriented, and they get hired away to the private sector,

because that is what the private sector is about. They are much more commercial than the public sector.

We do have some capabilities and skills shortages. We should never deny that. In digital and dynamic areas, we need to be more open. We need to understand the need for a much broader range of skills.

Yes, there are some places where we need to keep people in place more often. Some of the turnover figures you have seen may be exaggerated, because they regard turnover as turnover when someone moves jobs within the same department, which may be something very close. I am not entirely convinced by that.

I went as Cabinet Secretary to see David Cameron, the Leader of the Opposition, in the run-up to the 2010 election. He asked me what he could do for me, as opposed to most of the conversations being the other way round. I said, "Please keep Ministers in place for longer"—which, by the happenstance of the coalition Government, actually happened. I definitely like the idea of not having nine Ministers for Pensions in five years. I do not think that is conducive to long-term thinking.

Sir Oliver Letwin: We are talking about an enormous range of possible risks, and there is an enormous range of possible skill here. It would be absurd to claim that every possible skill we might need is there in abundance.

Actually, I think the thing that we are shortest on is not some set of skills that are very difficult to come by; it is the fact that we just do not have a significant pool of people on the civil side whose role in life is to deal with crises when they come in a flexible, adaptive and efficient way, and who have things that Gus and Margaret have mentioned as we have gone through—for example, clarity of responsibility.

Let me give you some hard examples to try to make sense of this. We were about to have a couple of tanker driver strikes. They came in my time as a Minister at various intervals. Tony Blair's Government had had a pretty catastrophic one, and the Blair Government had devised an emergency powers Act, I think it was called. It was comprehensive. When the tanker driver dispute came along the first time, I asked somebody to bring out the law, and it was indeed an Act and a set of processes that the Civil Service had developed under it for having an emergency, which I did not fancy. I thought that my Cabinet colleagues would be pretty distressed if we had an emergency, and the point was to try to stop us having an emergency by keeping the fuel running. Of course, the Act did not deal with that.

I asked all the relevant people inside domestic Whitehall Civil Service departments, "What group of people do you have who can help us sort this out?" They all opened their mouths and closed their mouths, but nothing came out. Then I got hold of a general, by courtesy of my colleague, the Defence Secretary, and the general had a group of people—quite a large, rather impressive group of people—whom he was

able to mobilise within the Army, who did this sort of thing. In about two weeks, they worked out—it is pretty mind-numbingly simply stuff, but you have to work very hard to do it—how long it took to train a person who was already able to drive one kind of tanker to drive another kind of tanker, exactly where they would have to lift things from one kind of thing to another kind of thing in order to get them to a third place, and how you would make sure that you could not be disrupted en route.

These are very mundane things, but they get very complicated when you add them all up, and you need a set of people who are used to planning that sort of thing. Inside the military, this exists. On the civil side, it does not.

We have a thing, or we had a thing—I imagine it still exists—called the Civil Contingencies Secretariat. It is extremely good at running COBRA meetings, and it is very good at curating the strategies, but if you ask it to sit down and actually manage a crisis in the way that I am talking about vis-à-vis the military planning, it does not do that kind of thing.

It is not that we do not already have lots of people in the Civil Service who have the requisite skills of incisiveness, hard work, energy and intelligence. There are plenty of people like that. It is that they are not organised to do that kind of thing. One of the big gaps here is a flexible response unit that is actually able to take on whatever the challenge is and work out the right solution to it quickly, not necessarily having all the plans in place, as you did not know it was going to be that crisis.

Therefore, I think that it is more a matter of organisation than of hiring in new skills. It may be that you then discover that there are some particular skills that you desperately need but you do not have. Then I think what Gus says is true. You might have to hire them, and at prices that would not suit somebody who has some arbitrary view about what we should pay officials. However, on the whole, if you go round places such as GCHQ, you find so many people of such unbelievable cleverness being paid relatively low rates, who do it partly because they love it and they care about their country, and partly because it is more interesting than anything they would otherwise probably be able to do. I do not buy the thesis that we do not have the skill, by and large; I think what we do not have is the organisation.

Baroness McGregor-Smith: It is a shame that you say that, because my observation and my experience has always been that delivery capability within government has been somewhat interesting at times: incredibly smart people, incredibly capable and incredibly committed, but I do not call practical delivery mundane. I have done it; I have run service companies. I call it really interesting. Actually, it is a different skill set. As to delivery skill sets, I look at some of the challenges of delivery with Covid. Some government departments have had to learn from scratch how to deliver, which I think has been great experience for them, and it is really good that they have had to do it.

Is it about delivery capability of what we have in trying to build resilience,

or not? I think that there are lots of smart people, but it is the delivery side that has always concerned me.

Sir Oliver Letwin: I agree that, in delivering a flexible response to an unanticipated crisis, it is delivery capability that you need, and not principally the ability to formulate policy or understand complicated equations or something.

It was very instructive during Covid. When we needed some extra hospitals, who constructed them and how well did they do? It was the military, and they constructed them in a matter of minutes. They did it extraordinarily well. It turned out nobody could work out how to put any staff into them. It also turned out that they did not have a method for decanting people into them rather than sending them to the care homes.

The problems did not lie in not having a group of people who could deliver something that was a complicated proposition very quickly and efficiently; they lay in not mirroring that, on the civil side, with people with similar sorts of training and formation.

My point is that there are plenty of people with the relevant IQs, the relevant determination, vocation and so on in the system already. They need to be organised, and they need to be trained into this sort of activity. Then, of course, you have to make a decision, which goes right back to all the things that we have been talking about and the need for external incentive for politicians to do this. We need to make a decision to hold those people and keep them constantly trained, the way the military do, constantly doing the exercises, for nothing. With any luck, year after year, there will be nothing for them to do.

I had a personal searing experience. After the Ebola crisis—incidentally, we had to bring in the military to help solve our part of it—I came to the conclusion that we were severely lacking a group of people scouring the world landscape to find out whether there were diseases coming our way before they actually arrived here. I managed to get a couple of people—I think it was three, in fact—within the Civil Contingencies Secretariat set up to do that job and report, I think monthly, on what they saw and, if they saw anything that looked serious, to start reporting on it daily. We literally had one outing: it discovered that there was Zika in the United States, and we had a series of discussions about whether to stop aeroplane flights from some parts of the United States.

I do not know exactly what happened after I was ejected from office in 2016, but we all know that the Government were paying quite an amount of attention to the Brexit debates after that. I very strongly suspect that the reason those people were siphoned off because they were popped into doing something much more urgent, which was dealing with no-deal Brexit planning.

I quite understand why any Administration faced with a major national issue will take people off looking for something that was not happening and put them on to something that is happening, but if that is the

attitude taken we will never have a group of people ready to take flexible response seriously or to scour the landscape for oncoming problems, because you will always find something that is more urgent.

My point, therefore, is that it is a matter of organisation. The military do it, and they do hold people in abeyance. On the civil side, we do not. Firms, as Margaret said and as you said, do. Good industrial firms think about what happens if one of their plants blows up or something, and they keep a group of people ready to deal with that. Even in the government sector, BNFL, for example, has quite a large investment, for very good reasons, in that kind of activity. Inside the civil side of government, it does not happen on the whole. If it happens for a brief moment, some Minister or some senior official will say, "Why don't we just redeploy X and Y, because they're not doing anything?" The thing they are doing is not—

Baroness McGregor-Smith: Thank you.

The Chair: I think I will have to move us on.

Baroness McGregor-Smith: Oh, okay.

The Chair: We will be here until breakfast at the moment.

Sir Oliver Letwin: Sorry.

The Chair: I will now bring in Lord Thurso.

Q258 **Viscount Thurso:** Thank you, Lord Chair. This has been absolutely fascinating. I will commit myself to asking what I think is a bit of a daft-laddie question. Looking at the NSRA and the national risk register, what exactly are their purpose? Are they achieving it, and are they used too much for response and not enough for prevention?

Sir Oliver Letwin: I will try to give a brief answer; I am sorry to have gone on.

I think they are useful tools, because they identify some things that we should worry about more than others, but any idea that they are a sort of complete solution to these problems is now seen by everybody to be as fanciful as it was always seen as being by anybody who knew anything about it. You never know whether you have really identified things to a level of generality or a level of specificity that will be relevant when they come along.

Part of the problem about Covid is that we had monomaniacal attention on pandemic flu. This is perhaps a useful thing to tell the committee. When I asked the question, when I started doing an annual resilience review, I asked the officials, using an actual review, "Should we start with the thing at the top-right corner, 'maximum impact, maximum likelihood: pandemic flu?'". They said, "No, Minister, that's not worth doing. That's the one thing where we are seriously prepared. We're even having an exercise about it".

I think that Lord Triesman or perhaps Lord Robertson mentioned that there was a 2016 exercise, and indeed there was. I did not have the wit to ask, "Need it necessarily be flu?" Nor had the assembled might of all the people involved in the risk assessment: the chief scientists, the medics, the Chief Medical Officer. Everybody had looked at this thing, but nobody asked themselves how relevantly different something that is a pandemic but is not a flu would be, and whether we would be prepared for that if we took the preparations that we have been building up for pandemic flu.

We then come to a different question, of course, which is: do you then implement the recommendations that emerge—Margaret talked about this earlier—from an exercise? Having something on the risk register is fine—it is a useful thing—but it does not tell you, first, whether you have the right thing, the thing that will actually happen, or, secondly, whether you have done anything about it that will actually work on the day. We should have it but not place too much faith in it.

Viscount Thurso: Probably, in summary, you do not really think it works properly.

Sir Oliver Letwin: I do not want you, however, to get the impression that I mean thereby that it should be abolished or that it is not a useful thing to have. It is a useful thing to have, but it is just that it cannot do more than it does, which is to alert you to some things.

Viscount Thurso: Margaret, what are your thoughts?

Dame Margaret Beckett: In a sense, it is a statement of the obvious, to a degree, and it is an attempt to prioritise the obvious, which is not a bad thing. I do not think one should get rid of it. As Oliver says, recent events have highlighted its weakness as well as its potential strength.

What strikes me, thinking about the exercise that was held in 2016, and some of the others, is that one of the key elements in all this that we have not really mentioned this morning, except in so far as the thinking is perhaps that this body that Oliver has suggested could provide it, is the challenge function. It is one thing to have the risk register, to have exercises, to discuss it and so on—that is all fine—but where is the person who will say, "But what about X?", or, "What if X and Y happen together?" These risks are not necessarily guaranteed to happen on their own. That is the thing.

It is geared more to response. I have not observed that it is particularly geared to anything, actually, other than maintenance of an awareness and list, if you like, of the problems. However, I do think that it does have some useful purpose.

Viscount Thurso: Gus, may I come to you? In your opening remarks, you said, "Keep it short, keep it simple, but do it more thoroughly", basically. Is that right?

Lord O'Donnell: Yes. It is necessary but not sufficient. I would add a kind of red team to it. I would have people such as Gillian Tett looking at it, asking, "What have you missed here? What are the things that you are not looking at?"

You are never going to get them all. We had a flu epidemic on there. One of the risks that we take is that we fight the last war. I imagine that we will now be very well sorted out for something such as Covid, but it will be something different. You can imagine. What I would want to see preparation for would be something highly transmissible but also highly fatal. What is the plan for that? That is the big one, that is the really serious thing. How do we cope with it?

Q259 **Lord O'Shaughnessy:** This has been a fascinating session. The first part of the question that I was going to ask is: is there a systemic risk posed by the difficulty of allocating funding to high-impact but low-probability events? I think that has been comprehensively answered.

Indeed, the second part asked: what changes might need to happen in order to address that problem? That has also been fairly comprehensively answered. I have written down that the National Cyber Security Centre is an exemplar, and that there should be a new supervisory body, longer terms for Parliament—controversially, from Gus—and more transparency on the NSRA. I could go on. There has been an absolute richness of suggestions.

My first question to the panel, going slightly off script, is: have we missed anything? Are there other things that you think we ought to look at, or how could the suggestions that you have made combine practically to ensure that we are better prepared?

The second question relates to something slightly different: what about the risks that attend to political issues, be that a risk of leaving the European Union, before that was confirmed, or the risk of the break-up of the union—the kind of political risks that we know Governments do not like to admit, let alone plan for, let alone release their plans for? Do we need to do that better? How, in a political environment, is that possible? Who would like to go first?

Sir Oliver Letwin: I am happy to launch in. Have we missed anything? There is one thing that I wanted to say to the committee that I have not said, which relates to everything we have talked about. Indeed, it springs in part from the series of questions that were just asked by Viscount Thurso and answered by the rest of us, about the risk register.

A great part of the wisdom here consists of not imagining that we will ever know what will hit us next, and acknowledging that, even in relation to the things that we do know or partially know, it is altogether likely that our defences and preventive measures, even if they are much better than at present, will be overcome. In those circumstances, what we need is the capacity to deal in a non-specific way not with the thing that is afflicting us but with the fallout from it—the consequences of it. In other words, we need a highly flexible means of minimising adverse

consequence across a wide range of possible causes of that consequence without necessarily worrying too much about the range of possible causes. You can describe this in various ways; I would sometimes try to describe it as a fallback solution.

I believe that we are extremely exposed to a series of technological risks, as well as to a series of biosecurity and other risks that have the characteristic that they change the shape of life. What is needed, at least at an early stage, which may determine much of how bad the consequences are, is the ability to make do and mend in a way that has not been predicated on an assumption of knowing what the cause of the problem is. It just knows that, if all sorts of terrible things happen, there are quick means of having a roughly feasible solution to them: keeping the hospitals open, keeping people able to move and buy food—simple things that might be necessary for all sorts of reasons.

That requires a cadre of people and organisations and so on within government and probably much more widely, using the whole of our society and voluntary as well as profitable sectors, to be able to mobilise quickly and to make do and mend in certain circumstances. As we have seen through Covid, we get to be quite good at making and mending, but it takes a long time at the moment. We are not in that mindset of pre-preparing for that, and that is one of the big gaps, I think.

On your other question about the endogenous political crisis, Governments, parliaments and democracies have an unending capacity to create endogenous political crises; there is no way to stop it, and I do not think we can protect ourselves from it, other than by being sensible in the face of it as it comes along.

If we could feel more confident than we can currently feel that we were good at handling exogenous threats, that would be quite a considerable contribution for this committee. I would not worry about the endogenous ones.

Dame Margaret Beckett: I will split this into two. Looking at your question, there are two strings that strike me forcefully. One of them brings us back to the whole spending review process again, I am afraid. Can we look around us and not repeat the mistakes that we have made so very recently? Oliver and I between us have referred to a number of occasions—the foot-and-mouth crisis is another—where we have turned to the military for assistance because of the skills that they could bring, which are not readily available in other places.

One of the things that we are doing now is running down the military. One of the things that is clearly coming out of the work that we did to look at what is happening—we have not studied the Covid issue itself; we have used it as a case study of how the process of risk assessment and dealing with risks works—is that we did not try, perhaps because this was a political or ideological decision, to use local government for the test and trace system. Even if we had tried, local government is on its knees, and there is every sign that the cuts that have already been inflicted on local

government will get worse. So can we try not to run down even further the processes that we have already learned that we need? That is my first concern.

My second one is a bit off the wall, I suppose, but it is perhaps because of my age as much as anything else. I am IT literate to a limited degree, but there is lots about it that I do not necessarily understand very well and I do not particularly want to. However, I read and listen to all this wonderful stuff that we will be able to do with 5G. To be honest, I do not particularly want to do a lot of it, but when I listen to it I think what enormous vulnerabilities we seem to be creating for ourselves, whether as individuals, as families or as a society.

Part of the consequence of having, so many years ago, done that millennium bug stuff is that it will make you aware of a lot of our vulnerabilities. It seems to me that there is a whole plethora, a whole world, a potential nightmare: we are happily steaming along—"Oh yes, this is great. We will be really modern. We will be in the front. We will do all this before anybody else. Never mind the make-do-and-mend bit. We do not need any of that any more".

Lord O'Shaughnessy: It is emerging from what you are saying that a truly resilient system has a lot of common solutions to multiple threat vectors, and that is one of the things that perhaps we are lacking at the moment.

Lord O'Donnell: I would emphasise that the nature of nearly all these crises is decision-making under uncertainty, and understanding that there will always be great uncertainties. How do you cope with that? How do you make political decisions quickly when you have very limited information?

How do you compensate for that? One of the things that I felt very frustrated about in the Covid period was not generating the right data early enough. The ONS came in late on and did some brilliant stuff, but we needed that much earlier. We could have learned more from other countries much earlier.

We needed to think about decision-making around uncertainty, and we need to think about how we communicate uncertainty. I truly wept, at times, at things that were happening in trying to convey uncertainty in statistics on television and at the way these things were done in various press conferences. It was wildly misleading at times. That is important.

A framework for handling these decisions is clearly not there, and we do not know how to trade off these various things. We do not even like talking about value-of-life issues. They are taboo, and I am afraid that we need to tackle some of those taboos.

Margaret referred to local authorities, and Oliver made many references to the military. I always found that when you said to the military, "No, really, can you please come in and move some dead cows around?" they

got quite defensive: "That's not our job". Actually, they are very good at it when they come to it. I think it should be their job, and I think we should keep a group. I do not know what we want to call of them, but they are absolutely essential for crises, in my mind.

Your final point about political risks is a really good one. I do worry. There has to be a finite chance that the United Kingdom will break up; there has to be a finite chance that Scotland and the UK might not be in the same trade zone. Who is analysing this? Why can we not have some serious work in advance that looks at these things? We see it today, with Brexit. Suddenly, people are saying, "Hang on, the EU is being terribly nasty about implementing this Northern Ireland protocol". Well, you know, could we not have thought about these things in advance and basically said, "All these big decisions are coming, and you can do this"?

My view would be: try to do this before the time of war, not at the time of war. Try to get the analysis done as independently and objectively as possible, so that people understand what the big issues are—what the consequences would be of a global trade war—so that we can work on these things.

Q260 **Lord Browne of Ladyton:** This is indeed a fascinating discussion. I do not know whether this will move us on, because I think we have already touched on quite a bit of this, but I will ask the question anyway.

When a risk is identified and makes it to the register, it finds itself allocated to a lead government department, which then assumes responsibility, as I understand it, for leading on it—an assessment, planning and response.

We have already had evidence that this LGD principle has led to an absence of planning in departments that are not the LGD. We have also had evidence from other people that at best it fudges accountability but creates an absence of accountability in planning.

We should also bear in mind the systemic nature of many of these risks and the cascading consequences of the manifestation of them, which we are living in at the moment. Is this lead government department principle still a useful one? What level of assurance and accountability do we need for planning against these risks that are held on the register? To whom should that accountability be?

I will come to you first, Gus. The paper that you wrote with Harry Begg talked about accountability in some detail and made some very specific recommendations. I will then move on from there.

Lord O'Donnell: Yes, these are crucially important issues. As I said earlier, it is really important that there is clarity about who is in charge. To my mind, that is the biggest mistake you can have, when there is not clarity. It could be a lead government department or it could be a Cabinet Office Minister who is seeing it across the board, but clarity is absolutely essential.

Again, it is necessary but not sufficient. When you think about the work that needs to be done, it is very rarely just government that needs to do stuff. If you think about the resilience of our energy infrastructure, you have to work with all the energy companies, and most of the investment and spending will be done by the energy companies, not by the state. You need to work on what the appropriate regulatory structure is that will incentivise that spend and reward it. Otherwise, it will not happen. That is really important.

On a lead government department, I cannot think of a way out of that, to be honest, unless you end up with everything coming from the Cabinet Office, which is the default position, and I am never entirely happy with that. In the end, it is very much more important that you have the right clarity and political leadership, with someone who is absolutely taking control.

On the accountability framework, I referred to all sorts of things in the article that I wrote, about trying to ensure that you have processes that think about accountability very early on. This whole business about ex ante and prevention is very important, and it is not just ex post about trying to find out who to blame.

I know we are quite short on time, so I will not repeat some of the things I have written on that.

Lord Browne of Ladyton: Thank you, Gus. Margaret, in your committee's biosecurity report, you make some very strong recommendations about accountability, and in particular about accountability to Parliament. I invite you to say something about that.

I would also like you to think about whether part of the problem with political will is perhaps the lack of expertise and understanding in Parliament about some of these issues, in order to provide an appropriate accountability mechanism for what the Government do or do not do.

Dame Margaret Beckett: That is possibly the case. Going back to the thing about lead departments, I do not dissent at all from the evidence that you have had about the weaknesses of that system. Equally, though, I do not readily see a satisfactory alternative. It does not seem five minutes since we had a fusion doctrine. Then I see evidence that my committee has taken just lately that says casually and in passing that, of course, the fusion doctrine did not work. Now, the integrated review is supposed to find a way of getting departments to work together across the usual departmental silos.

Yes, you are right: our recommendation to open a reporting mechanism to Parliament was to try to find a way of exposing what is happening and getting a degree of scrutiny, publicity and so on, in the hope that that in itself would bring pressures to bear that would ameliorate these problems that have been identified.

You are right that there is, as ever, an expertise weakness within Parliament itself. However, we have a lot of good advisers and a lot of excellent staff around the departments and around Parliament, and that can be helpful in keeping the focus where it ought to be.

The essence of it is that none of these things is easy, and nobody has found a wholly satisfactory system. All we have done in my committee's report—we are still working on whether we have anything more to say about the overall structures, not just the Covid-related structures—and the main thing is to try to find ways to put pressure on. If we are lucky, we will find a variety of not very satisfactory and not very effective ways that, cumulatively, might move things in the right direction.

Lord Browne of Ladyton: Oliver, anticipating that you will say that the lead government department system has its failings, but there is no obvious alternative, my question for you is: how do you then get the other departments to do what they should be doing? What mechanism do you have to get the other departments to do that? How, for example, do you get the Department for Education to plan for the possibility that somebody may tell it that it has to shut all the schools down because of a pandemic?

Sir Oliver Letwin: Part of this is about moving away from the language of departments and into the language of individuals. Saying that there is a lead government department in relation to a particular risk may mean something or nothing very much at all; it may mean that there is a deputy director somewhere who thinks that, as 1/10th of their job, they have responsibility for this, but that is not going to induce the rest of Whitehall to take it seriously.

If we are talking about a minuscule risk, well, who cares? If, however, we are talking about risks that, if they materialise, will be very serious for the whole of our population, the economy, society and so on, the Secretary of State is the only person who a department revolves around—we all know that—and the Secretary of State has to take that risk seriously and personally. I would get rid of the designation "lead government department" and say "lead Secretary of State". It ought to be pinned on a person who has some serious authority within their own department.

We also know that some Secretaries of State, either because of their personal clout inside their Administrations or because of the ministry of which they are the Secretary of State, have a great deal more capacity to organise the rest of Whitehall into co-operating with them than others, but at least there would be a fighting chance that, as well as mobilising their own department, they could get some serious attention from other departments if it was done at that level.

I think that it is typically easier for a Secretary of State to mobilise other departments if the Cabinet Office is there to support that Secretary of State—I agree with Gus that we should not just depute all this to the Cabinet Office, as it is not capable of handling it all by itself—in mobilising

the rest of Whitehall, as happens in relation to Cabinet committees, task forces and so on, so that the relevant lead Secretary of State became the chairman of something like a Cabinet sub-committee that is serviced by the Cabinet Office, and it begins to have an air of seriousness about it.

Incidentally, none of this guarantees anything if there is no money, to come back to the earlier part of our discussion, but at least you might get some serious planning being done that involved looking across at the Department for Education to ask, "What are the impacts on schools?" and so on. However, I suspect that, at the moment, if you went through the national risk register—I am woefully out of date and I accept that it may have changed, but this was certainly true when I was dealing with these things—and if you worked out which of those risks a particular, powerful Secretary of State felt personal responsibility for, and which of them had a group of other relevant Secretaries of State gathered in sub-committee meetings serviced by the Cabinet Office, you would have found that the answer was zero. That was very different from the questions of physical aggression from outside the country.

The National Security Council is a really serious body—Gus talked about this right at the beginning—and there is a serious effort there to think through certain kinds of risk, but I am talking about all the risks that are not the kinds of risk that the National Security Council will deal with. For those, I do not think that you would find any of that configuration.

We could change that. Coming back to David Willetts's earlier point, that is something that we could change right away. If the Prime Minister wanted to designate a lead Secretary of State, that takes a second. If the Cabinet Office was told that it would have to support sub-committees under that Secretary of State to bring other Secretaries of State together to work through the major civil risks on the risk register, that would happen. It would not solve the whole problem—it would not solve the problem of money and political will—but at least it would begin the process.

Lord Browne of Ladyton: In the interests of time, I will now hand back to the Chair, but I would just say to you, Margaret, that I am sure that you will look at this in your next inquiry into the machinery of national security. Good luck to you.

The Chair: The final questions are from Lord Mair.

Q261 **Lord Mair:** This has been a fascinating session. I am sure that all of us have many more questions that we would like to ask. However, I will ask what we have come to term the "Desert Island Discs" question. Can each of you suggest one policy recommendation that the committee should make to the Government?

Dame Margaret Beckett: One policy recommendation? I suppose, however you phrase it—perhaps it is the proposal for a separate body—that they find a means whereby more long-term thinking can be encouraged, evidenced, supported and resourced. It all comes back to

that. It also comes back to the leadership and political will on these matters within the Government.

Lord O'Donnell: It is always hard to do just one. A very micro thing would be to ensure that all public or private regulated bodies in the critical infrastructure space had an audited business continuity plan. There should be a statutory duty for that to be published. I would have that.

If I am allowed to go slightly further, I would also want to say, "Please can we have Governments think about what we learned from having the world's scientists all look at one specific issue, namely, how to solve vaccines?" If we get the world's scientists looking at a problem, we get a solution.

Martin Rees and I co-wrote something called the Global Apollo challenge. Could we get all the scientists in the world looking at aspects of climate change? Would that not make a difference? To me, that is the big picture thing we should do. We should learn from this crisis: that, if you get everyone working on one specific issue, you can make incredible progress, with the possibilities for that in climate change.

The problem is that it is not so immediate, but it is probably even more important, I would say.

Lord Mair: Oliver next, please, and I should add that I, too, very much enjoyed your book.

Sir Oliver Letwin: I am grateful. I may just have met the only two people who have read it.

As you might expect, this flows from what Margaret was saying and what I have been saying throughout. I think the most urgent necessity is for the establishment of an independent statutory public body that will do the things that all three of us have been talking about: create constant attention to these matters, communicate that aggressively with the media, stir it up politically and hold the Government to account on an annual basis on whether actions have been taken in line with its recommendations. I do not think that this solves all problems, but I do think it would begin to shift the culture, alongside many of the other things we have talked about.

Lord O'Donnell: I agree with that.

The Chair: I thank all our witnesses. It is wonderful to have an evidence session when everybody thinks and speaks in paragraphs and chapters. It has been glorious this morning, and very helpful indeed for our final report. I am most grateful to all you. I thank all our witnesses, all the Members and all our staff.