

# Public Accounts Committee

## Oral evidence: Efficiency in Government, HC 636

Monday 13 September 2021

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Members present: Dame Meg Hillier (Chair); Dan Carden; Sir Geoffrey Clifton-Brown; Antony Higginbotham; Sarah Olney; Nick Smith; James Wild.

Gareth Davies, Comptroller and Auditor General, Adrian Jenner, Director of Parliamentary Relations, National Audit Office, Simon Bittlestone, Director, NAO, and David Fairbrother, Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-111

### Witnesses

I: Sir Tom Scholar, Permanent Secretary, HM Treasury, Alex Chisholm, Permanent Secretary, Cabinet Office, and Cat Little, Director General Public Spending, HM Treasury.



Report by the Comptroller and Auditor General

Efficiency in Government (HC 303)

Examination of witnesses

Witnesses: Sir Tom Scholar, Alex Chisholm and Cat Little.

**Q1 Chair:** Good afternoon and welcome to the Public Accounts Committee on Monday 13 September 2021. Today we will be looking at efficiency in Government, which is very much the bread and butter of this Committee's work and very pertinent as we look forward to the spending review and the 27 October Budget. In an extraordinary time, when many Departments have had exponential increases in spending, it is still important to look at efficiency; any new spending coming in must still be spent efficiently. The Treasury has also asked for 5% savings from most Departments, and we will bottom out exactly which ones may be excluded from that. We want to explore how efficiencies will be delivered and, crucially, monitored, so that we know what they actually deliver and not just what is promised at the outset.

We are delighted to welcome our witnesses: we have Sir Tom Scholar, the permanent secretary at the Treasury—welcome, Sir Tom—Alex Chisholm, the permanent secretary of the Cabinet Office and chief operating officer for the civil service, and Cat Little, the director general for public spending at the Treasury and head of the Government finance function.

Before we go into the main session, I want to pick up on the national insurance increase. There are a lot of promises about how it will be spent, but who is keeping an eye on how efficiently it will be spent—in the first three years, of course, mostly on the NHS? Sir Tom?

**Sir Tom Scholar:** That will be, as you would expect, baked into the Treasury's ongoing work with the Department of Health and Social Care and, through it, the NHS and the broader social care sector. We will add that to the long list of things we already monitor on a continuous basis, and they will be reporting on the use of the additional resources. Ultimately, as you know, each Department is responsible for proper use of its own resources, and in the Department of Health and Social Care that means the NHS. There will be a framework for assessing value and being transparent about value; I am sure that will be the framework that we use across the board. I am sure we will cover that in more detail later.

**Q2 Sarah Olney:** The national insurance increase will obviously mean that employers incur additional costs for their portion of the national insurance increase. What projection has been done on the cost of that increase across Government Departments?

**Sir Tom Scholar:** I shall turn to Cat on that, as she has done all the work.

**Cat Little:** Yes, we have undertaken an assessment for directly employed contribution costs for Departments, which was factored into the overall



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health and social care package announced last week and, indeed, into the spending review. Our assumption is that there will be compensation for all Government Departments that directly employ individuals and have to pay higher employer NICs as a result of last week's announcement.

Q3 **Sarah Olney:** Have you put a number on that? Do you know how much that will cost?

**Cat Little:** I think it is about £2 billion, from memory; I am very happy to write and confirm the details. That is an estimate based on the information we had ahead of the spending review. Of course, as part of that review, we will do more to firm up those numbers with the Departments.

Q4 **Sarah Olney:** Schools in my constituency, for example, will have had their budgets for the year. Are you confirming that they will get additional money to cover the national insurance increase?

**Cat Little:** I am, yes.

Q5 **Sarah Olney:** And not just schools, but the NHS and other Government bodies?

**Cat Little:** Any Government body with directly employed staff that, as a consequence, is paying higher employer NICs will have compensation made available as part of the SR.

Q6 **Sarah Olney:** That is good news, thank you. You mentioned directly employed staff. A lot of council services are contracted, and those contractors will have increased NI costs, which means their services will be more expensive to councils. Have you done a projection on how much that will cost? Will councils receive compensation for those increased costs?

**Cat Little:** Yes. It is a really important and very complicated subject. As you can imagine, every single part of the public sector deploys and uses different indirect services in different ways to support the sector. There is more to be done, and we will come to that as part of the spending review, in conclusion. I apologise if I keep talking about things to come in the spending review—I am afraid quite a lot of that might come up today.

Q7 **Sarah Olney:** Can you confirm how much you are expecting to raise overall from the national insurance increase?

**Cat Little:** Around £12 billion per annum. That includes some of the other changes that we made to the tax on dividends. The total package per annum is around £12 billion.

Q8 **Sarah Olney:** But of that £12 billion, you will need to spend £2 billion funding the increase in the public sector?

**Cat Little:** No, that is not included in the £12 billion; the £2 billion is planned into our assumptions for the spending review. Separately, when we launched the spending review last week, we had done quite a lot of work to incorporate the health and social care package into our spending assumptions. The additional NICs costs are factored into the spending



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review assumptions—that figure does not come out of the additional tax raised.

Q9 **Sarah Olney:** Okay, so it is not a net of £10 billion: you will be raising £12 billion, and separately spending £2 billion.

**Cat Little:** Correct.

Q10 **Chair:** That is interesting, isn't it? When a school gets its settlement, will it actually see the money coming in direct to cover its national insurance contributions as a separate line?

**Cat Little:** This will all happen at departmental level, and how Departments choose to pass funding through is then subject to various formulas and further processes. However, we will confirm with the Departments what proportion of their settlement is, as a result of compensation, for NICs.

Q11 **Nick Smith:** Sorry, Ms Little, you plan on raising £12 billion but you will spend £2 billion?

**Cat Little:** These are gross figures. We have a gross revenue income of £12 billion. On top of that, there are additional costs that we have had to factor into the spending review, which are not part of the health and social care package announced last week, which is the Government putting aside money to be able to compensate Departments for NICs.

Q12 **Nick Smith:** The net impact is that you will have gained £12 billion, but had to give out £2 billion?

**Cat Little:** Yes, on top of the £12 billion we are spending for health and social care.

Q13 **Nick Smith:** So the gross impact was £14 billion, and now it has been reduced to £12 billion because you are paying out £2 billion.

**Cat Little:** Yes.

Q14 **Chair:** Sir Tom, you have been around in the Treasury a long time. Is this the first hypothecated tax that you can remember?

**Sir Tom Scholar:** You will be familiar with the national insurance increase in 2002, I think it was.

Q15 **Chair:** But that was not quite the same, was it? That was a national insurance contribution increase; this will become the health and social care levy in three years' time. That really is hypothecation with a very capital 'H'.

**Sir Tom Scholar:** Correct, although of course it is not the sole source of funding either for the NHS or for social care, so it becomes part of a bigger funding picture.

Q16 **Chair:** Does it create any particular challenges? How is the Treasury going to monitor whether that money is properly ring-fenced and spent eventually on social care, as is the intention, and does not get swallowed



up in decisions that might reduce a budget knowing that this hypothecation will fill a gap?

**Sir Tom Scholar:** It is additional. Clearly, there was already money being provided for social care, which was increased in the spending reviews last year and the year before. This is additional—on top of that. The proceeds of this will be allocated to the Department of Health and Social Care, with the precise split to be determined as we go along spending review by spending review—starting with this one.

Q17 **Chair:** Of course, the split at first is very heavily towards the NHS, and in three years' time, you are saying, the split will be determined. So the split is not absolutely, finally determined to be switching to social care in three years' time.

**Sir Tom Scholar:** It is not fixed for all time, as you say. As things stand, there is a huge need for post pandemic catch-up funding in the NHS. However, clearly that will reduce over time as the backlog is addressed, and that will free up additional resources for social care. Cat may want to add.

**Cat Little:** Could I just add to that? The settlement announced last week set out precisely what was going to be spent on the NHS. Our assumption at the moment is that NHS funding is front-loaded and social care funding is back-loaded over the next three years, and that is purely because of the time that it will take to implement Dilnot and for the costs to flow through the system.

In terms of making sure that the money is spent on social care, first, you have a public commitment from the Prime Minister and the Chancellor to fund Dilnot. Automatically, we will expect to see higher costs for social care into the next SR period after the next three years, which ultimately will have to be funded. When it comes to the NHS, we have had to make a number of assumptions. Let us face it: a lot of it is very uncertain, given the circumstances that we are in at the moment. For example, we simply do not know about how much demand comes back into the elective waiting list—the ranges are very broad—but we have had to make some assumptions to allow the NHS to plan and deliver what we have funded them to do. We need to keep that under very regular review, with performance data and detailed evidence about what is happening on the ground within the frontline of the NHS and in local government.

Q18 **Chair:** I am glad that you are doing that. Can you tell us exactly how? It often happens that money is given to the NHS at short notice to spend, as though that is the solution—a headline announcement—but it is often too late to recruit the right people to do the work. What kind of metrics from the NHS and the Department of Health and Social Care are you looking at?

**Cat Little:** We have to do a bit more work on pinning down the detail with the Department of Health and the NHS. Of course, the Department of Health is the first line of defence in holding the NHS to account. However, since the last SR, a year ago, we have strengthened the performance



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framework by using ODPs—outcome delivery plans—as you are aware. Every Government Department has to publish the outcomes for which money is being spent, what we expect to be delivered, and the performance and metrics that go alongside that. For the NHS and the Department of Health, we expect that to be reported in the same way at the end of this SR.

Then we have three stocktakes for each Department, which are chaired by the Cabinet Secretary and attended by me and my colleagues Alex and Tom, and we rigorously go through the performance metrics of every Department and what they are delivering. In addition to that, I expect the No. 10 delivery unit to be paying very close attention to the performance data in the NHS at the frontline.

Q19 **Chair:** And that is now headed by Emily Lawson.

**Cat Little:** By Emily Lawson, with the SRO for vaccine deployment.

Q20 **Chair:** Does she understand Health?

**Cat Little:** She understands Health very well.

Q21 **Chair:** Does that fill you with confidence, then?

**Cat Little:** It gives me a lot of confidence that we have a number of people who understand the health system very well working on this. As in the defence settlement last year, we have put in place bespoke monitoring arrangements to make sure that the assumptions we had at the time are following through into practice, and I expect the same to happen with the NHS and the Department of Health.

Q22 **Sir Geoffrey Clifton-Brown:** Irrespective of whether the date drifts for the NHS money going into social care, the start of the cap date is fixed. Is that correct?

**Cat Little:** That is correct: October 2023 for implementation. That does not move. Either way, the cost consequences of the public commitment need to be funded.

Q23 **Sir Geoffrey Clifton-Brown:** Correct. To go back to your earlier remarks in response to Ms Olney's question about the multiplicity of organisations that provide services to the public sector, you said it was a work in progress. Since you answered that question, I have been trying to think whether they are quasi-private organisations that provide 100% of their services to the public sector, or non-departmental Government organisations, Next Steps agencies, or charitable agencies. Will all these organisations that provide services to the public sector in whole or in part be covered by the reimbursement of national insurance?

**Cat Little:** The commitment that the Government have given up to this point is that all direct employees of the public sector will be compensated for. What I described to Ms Olney is that, as you have also described, there is a whole range of different outsourced arrangements and suppliers to the public sector. It is a very complicated landscape. At the moment we need to gather that information and understand the landscape that we are



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operating in. Of course, NICs is ultimately a tax on businesses. There are lots of unintended consequences and issues that we have to grapple with, which are not as straightforward as for Government Departments in the public sector. It is right that we take our time to work through the consequences there.

**Q24 Sir Geoffrey Clifton-Brown:** It could be something as simple as the local authority's waste management company that might be wholly owned, or it might not be. Is the intention that the employers' increase in national insurance should be broadly neutral on the public sector?

**Cat Little:** To be very specific, I cannot commit that it will be broadly neutral, because there are so many parts of the public sector where people are not directly employed by the public services, and we have not at this stage concluded on how we are going to treat those on-costs for the rest of the supply chain.

**Q25 Sir Geoffrey Clifton-Brown:** People will be listening to this very carefully. On my simple example of the waste collection service, will a private company that provides 100% of its service to the local authority have their employer's national insurance reimbursed or not?

**Cat Little:** I cannot confirm the position at this stage.

**Q26 Sir Geoffrey Clifton-Brown:** If they do not, the cost goes up to the local authority and it will have to then go on the council taxpayers.

**Cat Little:** That is a very good example of how we have to work through with MHCLG to understand not just them, but every other supplier in the landscape. As part of the spending review, we will absolutely look at the consequences that this has for local government and other parts of the public sector. That is the most I can commit to at this stage.

**Chair:** We will know on 27 October.

**Cat Little:** On 27 October—

**Q27 Chair:** I am just re-emphasising Sir Geoffrey's point. My London Borough of Hackney has in-sourced street cleaning with employees of the council who are pensioned and everything, so they will get the reimbursement—the compensation on national insurance. The neighbouring London Borough of Haringey outsources, so they will not get any compensation on national insurance. So there is a fairness question there, very loud and clear.

**Cat Little:** We are hearing every day of examples that we have now got to look into and work through. The intention is—

**Q28 Chair:** It sounds as though it has caught you by surprise.

**Cat Little:** It really has not. Trust me, I have been on the receiving end of lots of feedback since last Tuesday, both good and bad. There are lots of questions that we cannot yet answer. All I can do is commit to look into these issues.



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**Chair:** I am sure that, as a Committee, we will keep a close eye on this. Mr Smith is next.

Q29 **Nick Smith:** A quick question. When were you first approached by No. 10 to look at this NICs proposal? How much notice did you have before the public announcement?

**Cat Little:** To be frank, various generations of Treasury officials have worked on health and social care reforms for many years.

Q30 **Chair:** But on this specific one.

**Cat Little:** On this specific package, we have worked closely with the Department of Health and with No. 10 for around six months.

Q31 **Chair:** Thank you. We need to move on to the main issue, which, although connected, is around efficiencies in Government overall. I do not want to use the phrase groundhog day, but we talk about efficiency and the role of this Committee is to look at the economy and the efficiency and effectiveness of taxpayer spending. On that issue, we are probably in some way aligned with Her Majesty's Treasury. We are not always aligned with Departments.

What is your thinking, Sir Tom, on how to ensure these efficiencies are not just short-term quick hits, but there is a long-term view of them? We have all seen Departments game it, whereby they offer something up that actually ends up not being delivered.

**Sir Tom Scholar:** As the NAO Report acknowledges, we have been working particularly hard over the last year or so—18 months or two years—to reframe the way we approach this issue both in spending reviews and ongoing monitoring. As you know, we commissioned a report from Michael Barber, a former head of the delivery unit, to look at this. Coming out of his work, we have developed the new public value framework for assessing public spending proposals and as a tool for use in the spending review.

We have also used the same work to develop the outcome delivery plan that we published in July. All of that has a very deliberate shift in focus away from inputs and towards outcomes, in particular service outcomes. In the context of this spending review, you mentioned the 5% efficiency savings exercise that we have been undertaking in recent months. We have used the insights of that framework explicitly with Departments to identify the scope for efficiency savings. In the instructions we sent to the Departments as they started work on that, we framed it very much as using a similar approach to that adopted by the NAO. We have focused on outcomes, multi-year efficiency savings, and cross-departmental work to ensure the impact of what one Department does on another is correctly understood and captured.

We have also tried to deal with the familiar problem of optimism bias by insisting on proper implementation and delivery plans, which through the process over the last few months we have stress tested. We have done that with the help of the Cabinet Office and the functions, Treasury



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spending teams and indeed the delivery unit. That is the approach. That approach is now central, and we are now in the negotiations on the spending review.

We will certainly not end up with a simple blanket 5% across all Departments, but we will take what we have learned from that efficiencies exercise and incorporate it into what we intend to be a completely credible and robust set of medium-term plans. The transparency and monitoring of that will be assured through the next round of the outcome delivery plans that will say what that money is intended to deliver and how we will monitor ongoing delivery.

**Q32 Chair:** On that point, if a Department then does not deliver on its efficiency savings, what are the consequences for that Department?

**Sir Tom Scholar:** They are being held by central Government, which is the Cabinet Office and the Treasury together, to a set of commitments on what they are to achieve. The extent to which they achieve that or not will be very public, and that is part of the ongoing performance management of those Departments.

**Q33 Chair:** Will they have to take the cuts somewhere else if they cannot deliver them through the efficiency savings? There are elements of a Department's work that are absolutely core to a Department. If they come to you shroud-waving—dare we say it, but we know how Departments can work—and say, "We have not made these efficiency savings, but we cannot take a cut somewhere else" will they just get a bail-out? How hard is the Treasury going to be on them?

**Sir Tom Scholar:** Whenever you set plans, what you are trying to do is match resources to outcomes. Whenever you do that, you are in part making judgments and in part making forecasts. Inevitably, those do not always turn out to be perfect, and the further down the track you look, the greater the uncertainties. It is sometimes the case that Departments do not achieve their objectives because they have failed to deliver in some sense, but it sometimes happens that the world has changed around them and the challenge has become greater. I cannot say at this point down the track what the precise reaction will be. It will depend, as it always does whenever a Department comes to the Treasury and says, "Look, we've got this public commitment to do x, but we can't achieve it with the resources we have got. We would like some access to the reserves"—

**Q34 Chair:** I appreciate that, but what about where there has been an inability to achieve an efficiency through, for example, optimism bias, as you highlight and the NAO highlights? We know all the reasons these things can happen. Where it is not because of external pressures but because they have not had an efficient delivery programme on that efficiency savings plan, will they get a rap over the knuckles? The accounting officer is ultimately responsible, but what happens if they don't achieve that? This is taxpayers' money that they are supposed to be saving to spend on other things, so it is serious for taxpayers, especially with the extra money they are paying in national insurance contributions. They want to



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know it is being spent well. What is the actual impact on the Department or a senior civil servant if they fail to deliver?

**Sir Tom Scholar:** Departments are under a lot of scrutiny, including from this Committee and departmental Committees, and Ministers are under scrutiny directly in Parliament. I cannot speculate on the particular consequences—I don't know—but there is a great deal of scrutiny. The purpose of the value framework and the outcome delivery plans is to make clearer and more transparent what we are expecting to deliver with the resources.

Q35 **Chair:** That's all very processy, but for an average taxpayer on a £30,000 or £25,000 a year salary, who is paying their extra national insurance, how are you going to convince them, Cat Little, that you are watching how their money is being spent centrally?

**Cat Little:** You have just explained yourself why it is so important that we stress test this up front and do not commit to savings that are not deliverable. Obviously, the first thing is that you want to prevent it. You have to make sure there are really good benefits realisation plans and really solid stress-tested delivery plans. In this SR, we are putting in place more and more up-front work to make sure any efficiency savings have been really well tested. We did the efficiency review launch back in April so that by the time we got to the launch of the SR we knew whether our efficiency plans were credible. That is the first thing.

Obviously, as Tom says, it depends on why, but let me take two Departments I know well that have historically had issues with this. The Ministry of Justice is a really challenging environment in which to deliver efficiency savings. Actually, it did deliver most of them, but unfortunately it was not, in the round, an equation that could work without having an impact on the frontline. In effect, the Department was in special measures for a period of time. I hate the term "special measures", by the way, because this is about sharing a problem across Government and making sure it does not have an impact on vital public services. That is in effect what we did.

In the Ministry of Defence, there were large amounts of optimism bias in the efficiency programme, which this Committee is very well familiar with. I was personally held to account by the Treasury on a weekly basis for the transformation plans that were put in place. Of course, the reset last year was about doing a full drains-up on the balance that was needed to deliver for the armed forces and the settlement in the round. There are lots of things that we do, but the best way to deal with this is to make sure the plans are deliverable in the first place.

Q36 **Chair:** Okay. We will come through this as we go through. Does the 5% efficiency apply to all Departments? Which ones, if any, are exempt?

**Sir Tom Scholar:** It was an exercise across the board. Cat has the precise dimensions of it.



**Cat Little:** Every single Department was asked in the phase 1 efficiency review for 5%, and we held star chambers to go through in detail all the delivery plans, the assumptions and the savings that Departments put on the table. Following last week's health and social care package, the Department of Health and Social Care is probably not able to deliver 5% overall. We still have to do much more work as part of the SR, but for every Department, the stretch and the ask has been the same, and the work of the spending review over the next five weeks is to agree the precise detail of the investment required and to make sure all the functions help us in stress testing how they are going to execute.

Q37 **Chair:** So some may have 6% and some may have 4.5%; it is not absolutely set at 5%.

**Cat Little:** Exactly. We will see what happens in the spending review, but that stretch—

**Chair:** You are still looking for 5% overall through all Whitehall Departments?

**Cat Little:** Yes. That is the target.

Q38 **Chair:** What baseline are you using? The Department of Health and Social Care's funding has gone up from around £150 billion to around £200 billion in the last year alone—that seems extraordinary when you say it out loud. What baseline are these Departments working on? Their pre-covid baseline, or their covid baseline?

**Cat Little:** We are going off the back of the March 2020 spending baseline, but, taking out all additional temporary funding that has been provided to Departments for EU exit and for covid. The baselining exercise has been agreed with all Government Departments. It is not possible to use additional covid funding to contribute towards the 5% target.

Q39 **Chair:** Covid funding has now been going on for some time. Some Departments have well-worn routes dealing with the extra funding; are you looking for any efficiencies in how they spend the extra money that they have been given?

**Cat Little:** Absolutely. Always. Every single pound—

Q40 **Chair:** That is not included in the baseline, so how are you looking at that? Is it a sperate exercise or is it going to be part of the spending review?

**Cat Little:** We have had the conversations together, but for specific programmes it will be part of the ongoing work of the Treasury. I have mentioned to this Committee before that we have dedicated assurance mechanisms for PPE, for Test and Trace and for all the big programmes—as you would expect—to ensure that we are delivering maximum efficiency and value for the taxpayer.

Q41 **Chair:** Test and Trace is an interesting case in point, because their budget predictions in January of this year were significantly higher than what



they actually spent—it was a massively out-of-kilter budget at that point. They have £37 billion allocated over the first two years of their existence: what are you doing specifically to look at that spending and its efficiency?

**Cat Little:** There are two things that I would say. We always knew that the Test and Trace budget was going to be very uncertain, and demand driven. There was a certain factor in their forecasting, to do with asymptomatic testing, that proved, very late on in the financial year, not to hold true. Personally, I am very disappointed with the level of scrutiny and financial management that have been undertaken on that budget. I have held detailed sessions with Test and Trace, and with the finance teams involved, to make sure that we understand what has happened and what is going to be different going forward. Alongside that, there is a lot of discussion between spending teams and specific programmes about commercial contracts, and about how we are working with them to deliver better value. It is an ongoing discussion.

Q42 **Chair:** It is heartening that it is being looked at, because £37 billion when you look at the main, baseline budget of the NHS—it is over two years, but still, in any one year that is a significant amount of money. Test and Trace is now in the throes of moving over to the UK Health Security Agency—does that bury the problem, or will you be closely watching that line in the budget?

**Cat Little:** We are watching it very closely, and we are working with the new accounting officer who is responsible for that budget. We have shared all our concerns and findings, and we are very pleased to say that the new accounting officer is taking it very seriously.

**Chair:** Good. Clearly, we could go into the whole subject of Test and Trace, but, hopefully, it is going to be a different creature as the pandemic settles down and we have to deal with different issues.

Q43 **Sir Geoffrey Clifton-Brown:** This Committee has come across examples of efficiency savings that are clearly unrealistic. For example, HS2's efficiency saving was originally stated as £5 billion. What has changed between the Treasury scrutiny on efficiency savings now, and what has happened in the past?

**Cat Little:** For the big programmes, there is ongoing monitoring and very detailed governance that goes through the total cost of every major programme within the Government's major project portfolio. I would like to think that has got better and better. For example, the IPA have included benchmarking of historic cost references for all major programmes; that is a new enhancement helping us to challenge both cost and efficiency on major infrastructure. That is really important, given the amount of capital investment we are putting into infrastructure at the moment. We are also doing much more with the functions—and Mr Chisholm might want to add to this. All of the functions have been really involved in helping us to stress test efficiency, in thinking about both what investment is needed, and how you deliver change and transformation in the public sector.

Q44 **Sir Geoffrey Clifton-Brown:** Can I just direct your attention to nuclear



decommissioning—one of our larger expenditures? It seems to me that there are some good efficiency savings to be had there.

**Cat Little:** Thank you, Sir Geoffrey, I will follow that up.

Q45 **Dan Carden:** No one can oppose the idea of efficiency savings. You mentioned the Ministry of Justice and where that moves into frontline cuts, and I think lots of us will know the difficulties that local criminal justice systems and the probation service have been through in recent years. At what point is an efficiency saving no longer an efficiency saving, and actually a frontline cut?

**Cat Little:** The first thing I would say is that all good efficiency savings have strategic fit with policy ambitions, and—to Tom's point—are accompanied with a really clear sense, politically, of what we are trying to achieve and the outcomes that people are accountable for. I would like to think that since many efficiency savings were delivered back in 2015, the fact that we are able to align outcomes, policy choices and efficiency together should really safeguard against some of the issues we have seen historically.

Fundamentally, every time we do an efficiency saving and every time we do a transformation programme, we are doing impact assessments. We are constantly looking for what the unintended consequences are, both for service provision and for other parts of the public sector, and the knock-on effects on different bits of Government and the frontline. That has massively improved, and I think we have a much better understanding of where the unintended consequences are, so again, a lot of what we are trying to do is to prevent it from happening in the first place. As for the Ministry of Justice—I know this well, having been the group finance director for several years—ultimately nothing saddens us more than when you see cuts have a negative impact on service provision, so the public value framework puts service users right at the heart of the value framework. It is pillar 3: every single outcome delivery plan has got to set out what the impact for service users is and what the impact for real citizens is.

Q46 **Dan Carden:** With that in mind, you mentioned star chamber meetings, and I am just wondering how you engage with the frontline out in the regions when you are looking at efficiency savings like that.

**Cat Little:** Formally, we obviously work very closely with Departments that are responsible for stakeholder management within their sectors and for the parts of the public sector for which they are responsible. However, we do lots of outreach work, and I spent a lot of my time over the summer talking to leaders in the NHS and in local government especially to get a better feel for what it really feels like out there, and asking the question, "If you had the choice of spending an allocative additional pound, where would you spend it, and how does it feel?" I think that is an important part of our work in the Treasury and in the centre of Government, so it is not scientific, I am afraid, but triangulating evidence—

Q47 **Dan Carden:** Are there any examples of where the frontline has come



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back and said, "No, that is a cut too far", and the policy has been changed?

**Cat Little:** Not in the conversations I have had over the summer specifically. People have obviously shared the pressures; local government have said a lot about the impacts of social care and the demand pressures they are seeing; and of course in the NHS, we have heard a lot directly from leaders about the challenge of balancing covid response with elective recovery, but I do not think anyone said, "Look, it was an efficiency cut too far." I draw a distinction between not enough funding and us trying to transform and improve public services in order to deliver greater efficiency and to take money out of a system. That does have a big impact on the frontline, and obviously they are two separate things.

Q48 **James Wild:** As you know, you gave evidence at our arm's length bodies inquiry, which talked about the £265 billion that they are responsible for in terms of public spending. Can you just confirm that they are fully part of the efficiency drive and the 5% targets?

**Cat Little:** Absolutely, and very explicitly so. When we have had star chambers, we have gone into quite a bit of detail about arm's length bodies.

Q49 **Nick Smith:** Ms Little, you have been very candid about your disappointment with Test and Trace and about the financial management of their budget. Can we come on to PPE? On this Committee, about four or five months ago, we discovered there were 10,000 sea containers full of unused PPE with a cost of billions of pounds. Have the Treasury managed to grip that subject? We were really disappointed over that.

**Cat Little:** Yes, and of course I have been following very closely the work of the NAO on PPE, as well as our own discussions. We are right in the middle of a range of issues as part of the year-end financial assessment of the Department of Health as they produce their annual report and accounts. When we agreed the funding envelopes for PPE, we were very explicit about our ask of the Department of Health in making sure that the quality, the unit costs and the commercial risks that were being managed were actively managed throughout the whole period.

With hindsight, it is natural that some of the things and the issues we were dealing with have clearly transpired and risks have crystallised, but we shall see, as we get through the year-end accounts production process, more quantification and more understanding of some of the issues. Thanks to the work of the NAO and the Department of the Health, we are familiar with the issues we have seen there.

Q50 **Nick Smith:** Have you had to change the financial officer responsible for that situation too?

**Cat Little:** I should be explicit, as head of the Government finance function. Quite often, finance is the messenger. In my experience, they are not the people who are causing the problem. In fact, in these circumstances with covid we are dealing with almost unpredictable situations. This is not a blame game. This is about making sure that we fix



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the issues that we are highlighting and seeing as quickly as possible. This is not down to finance or individuals; this is a team effort for Government. Ultimately, we are working with the Department of Health to get everything out on the table and to work together to make sure that we help and support, fixing issues where we see them.

Q51 **Nick Smith:** So that's a no?

**Cat Little:** I do not hold any financial leaders personally responsible for any of this. I think this is a team effort.

Q52 **Nick Smith:** Will you be publishing what you have discovered about PPE?

**Cat Little:** Personally, we will not. Obviously, we will be working very closely with the NAO and we will work very closely with the Department of Health.

Q53 **Chair:** I would like to touch on the resilience of Departments. It is like musical chairs, in that everyone hopes they won't be standing when the music stops. We have seen that a bit with some of the preparation for the pandemic. In seeking efficiency in the spending review, how will you make sure that Departments have resilience built in and that it is not salami-sliced so much that we cannot deal with another emergency, whatever that might be, in individual Departments? I will go to Mr Chisholm first, and then to the Treasury.

**Alex Chisholm:** Thank you very much and it is nice to be with the Committee this afternoon. The first way of looking at it is around risk versus outcome. We have a new framework, which Tom and Cat have described, around outcome and delivery plans that sets out very clearly what we are trying to achieve. For the first time, we are now—

Q54 **Chair:** It sounds like an amazing announcement, but it's hardly rocket science. Anyway, I am glad we are doing it.

**Alex Chisholm:** We think it is significant to be able to line up resources against publicly defined outcomes, with clear metrics against that. Also, we are heading into a multi-year spending round, which is a much more promising basis to be able to make sure that Departments have resources over the medium and long term.

As Cat described, through our major programmes, of which there are now 184, we have very long-term plans built in and we go through a series of stage gates to make sure that they deliver against those. Some of those go out typically between five and 18 years, so that helps us take a long-term view about how to achieve our objectives.

It is also the case that things happen—incoming surprises—and we need to make some adaptations in the course of the year. Again, Tom mentioned that. We have had to do a lot of that in recent years, it would be fair to say, between Brexit and covid. We have seen the strength to be able to move resources around within Government. Thousands of people have been moved around between different roles, both for Brexit and for covid, and, as part of that, we have been redeploying very specialist



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expert resources to help with certain types of task, so that has helped as well.

Finally, we have spoken before at a Committee hearing about risk. We think cross-cutting risk is a very important issue that has probably not been given enough attention in the past. We are following the advice of both this Committee and of Nigel Boardman in his second report about giving some extra strength and attention to the cross-cutting risk function, which reports into Cat but also through the Civil Service Board, which I chair, with quarterly reviews of risk.

**Q55 Chair:** That is fine. We can talk about risk and now it is at the forefront of our minds. Covid is still happening, and we have lots of reasons to think about it, but in a decade, when probably most members of this Committee won't be here, and you won't be here, how are you going to make sure it is embedded in the culture of Whitehall? We need to be alert to these risks and make sure we have the resources and capability to deal with them, while also being efficient in how we are spending money.

**Alex Chisholm:** You are right that it needs to be embedded in the culture. People learn from experience. They learn from process and they have a regularity of rhythm. If they are forced every quarter, at least, to explicitly look at the risks they have to identify and, importantly, what steps they are taking to mitigate those, and then to give an evaluation of that, which is then checked externally, and they are then held accountable for that, then that is a good way of trying to get people to take a risk-adjusted approach.

As colleagues in the Treasury would be the first to tell us all, we cannot provide for all possible risks. We need to evaluate the likelihood of those risks occurring and the impact they would have, and then be able to put into place enough capability in Departments to cope with that. We cannot have huge amounts of redundancy in capacity across the system—neither the PAC nor the taxpayer would allow for that—but we do need to ensure that we have more agility and more ability to turn it to areas—

**Q56 Chair:** So surge teams, effectively?

**Alex Chisholm:** Some of that, yes, absolutely, but also deeper capabilities within Departments to be able to cope with these things.

**Q57 Chair:** We have looked a lot at flooding and, when that happens, you need input on the ground immediately to reduce the devastating effects on people. It is a difficult balance, because we do not want to see redundant resources either, but do you think we have perhaps gone too far one way? How do we ensure that we get the right balance, so that we don't have lots of redundant resources that we never use, but can deal with those urgent situations when they arise?

**Alex Chisholm:** I am not an expert on floods. I am sure you have heard from DEFRA before, but floods would be a good example both of our operational response when we have them—our ability to respond and get on top of flooding situations very quickly—and of our ability to anticipate.



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I have been in the Met Office during a major storm, seeing how they co-ordinate with authorities in the area affected and with the Environment Agency. We have, of course, also seen a huge investment in preventive work to try to reduce the impact of floods in local areas. I think that is a good example both of how we respond better and of how we try to get upstream of that, so to speak, with better preventive actions.

- Q58 **Chair:** The point on going upstream is an important one. The Treasury is a bit of a “cash in, cash out” business, isn’t it? You are looking at in-year most of the time. How will you embed those longer-term benefits, so that a bit of money spent now on flood defences can both save money and reduce the impact on people down the line? How is that being written into your work looking at the efficiency of Government spending?

**Sir Tom Scholar:** I will start, and I am sure that Cat will add to it. We certainly do look in-year, because we monitor Departments’ in-year spending performance. However, we are by no means only in-year. We are just about to set out multi-year plans in this spending review, and we have several examples where we have had settlements that go way beyond the end of the spending review—for example, the NHS, the Ministry of Defence, the Department for Transport and some of the big capital programmes.

Beyond that, on an even longer horizon and with the help of the OBR, we look at long-term trends in the public finances, and, similarly, through the whole of Government accounts, which we obviously discuss every year in this Committee. There is also this value and outcome framework, which we have tried to describe. That is very much an attempt to get value that is long-term as well as short-term. We are certainly interested in the in-year cash position—it is very important, and we have to be interested in that—but we are as interested in the long-term value position.

- Q59 **Chair:** I wonder if politicians are as interested in the long-term value, given that most of us are not here that long. Perhaps that is a cynical take on politics, which, as a politician, I possibly shouldn’t have.

**Cat Little:** The only thing I would add is that we have specifically asked for evidenced “invest to save” bids as part of the spending review. We want people to think about ambitious service reform and about transformation, because we are at a point when we really need it and we recognise that you often need upfront investment to deliver benefits further down the line, and that that can take time.

Equally, we have had plenty of the programmes where we have given the funding upfront to invest and have never seen the benefits. There is always a kind of trade-off between rapid service reform, changes to public services and ensuring that we realise benefits quickly, both for citizens and for us in the Treasury, in terms of benefits realisation. More than ever, we are trying to get things done quickly.

- Q60 **Chair:** Another thing this Committee has looked at a lot is cost shunting. The danger is that money saved in one area just increases costs in another area. Social care and health are a good example of that. How will



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you be looking at that? Will you be looking at any impact assessments? Will you be asking Departments specifically where the knock-on impact is of a saving that just falls on another Department to fund?

**Cat Little:** First, just in terms of ways of working across Government, there is not a single priority in the spending review that does not need Departments and different bits of the public sector to come together. That means having to have a really good understanding of where the investment and the benefits land. Quite often, investment in one Department leads to savings in a different bit of the system, as well as cost shunting. We need to do both.

The new burdens doctrine has been well established. It is up to every Department to set out any consequences for local government, or for other parts—

Q61 **Chair:** That is only for the first year, isn't it?

**Cat Little:** No. Managing public money requires accounting officers not only to do it up front but constantly to assess the impact of the delivery not only of savings and efficiencies, but of transformation programmes, over the lifetime of any project. Ultimately, the combination of those two things means that accounting officers have got to set it out transparently and that we will have to make sure that is publicly funded.

Q62 **Chair:** How publicly available is this information? That is one of the weaknesses—there are always weaknesses in Government, but impact assessments can be good, bad, ignored and done well. Are there any grounds for having a public approach, to say, "This policy is saving money here, but there will be costs on another Department. We know that and we recognise it"—and vice versa with investment, as you say, which might cause a saving somewhere else—just so that the taxpayer understands what is going on and what the benefit will be?

**Cat Little:** Formally, those impact assessments should be undertaken whenever a major programme is instigated or made policy. If the taxpayer wants to see it, they should be able to see it.

Q63 **Chair:** But are you confident that that is being done well enough?

**Cat Little:** I could not guarantee that for every single policy—

Q64 **Chair:** I have to say, we have seen quite a lot of bad tick-box impact assessments of all types, but on this one in particular, I thought that the Treasury would have a very strong interest in making sure that they were very robust.

**Cat Little:** We certainly always review the major projects' impact assessments. That is part of the process that our teams undertake when Alex and I chair a major projects review decision point.

**Chair:** Thank you. I now turn to Sarah Olney MP.

Q65 **Sarah Olney:** Thank you, Chair. One challenge highlighted by the Report is that, when looking for cost savings in one place, Departments do not



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always consider the impact on service users or on how service users might respond. The example cited here is the Ministry of Justice trying to reduce demand for legal aid, but the impact of that being a big increase in litigants in person, which created extra costs elsewhere in the justice system. What I want to know is probably a question for Sir Tom and Alex Chisholm: what are Departments doing to estimate the impact of efficiency savings on service-user behaviour, and how are those assessments being incorporated into plans for efficiency?

**Sir Tom Scholar:** In terms of the approach that we take, we would agree with the NAO's recommendation as to how we should approach it. In other words, when there is a proposal for a reform, we should collectively be making our best assessment of the impact, of the behavioural impact and of the knock-on consequences for that Department and possibly other Departments. As Cat was saying earlier, most services in the real world are complex and engaged, having an impact on lots of different bodies and Departments.

We agree with the approach suggested, but it is about when we try to adopt it in practice. Clearly, whenever we look at these things, we need to make judgments that are inherently quite difficult, particularly judgments about behaviour. We would expect Departments first to come along with their assessment, but then we would try to stress-test that assessment through the process that Cat described, including bringing in functional experts that work to Alex.

If it is an area where there have been similar attempts in the past, we try to look at previous experience. If we have, say, a process for automation of a service that is a bit similar to what might have happened in another public service, we will try to draw the lessons from that. That is not to say it is perfect. People make mistakes, and you do not always make the right judgment, but it is certainly something that we try to assess. We are hopeful that the value framework will improve our ability to do that by improving, in the first instance, the Departments' assessment of on-the-ground impact and then, through that, the overall assessment as we reach agreements on funding.

**Alex Chisholm:** I have a couple of things to add to that. One is that the potential for using testing and piloting is much greater as we move into the digital domain. That used to be an expensive process to do but, in the analogue world, it is now easier to do that, which is vital. Testing more versions of it early on, before you go big, is an important way to build in service user requirements.

Something else that we have learned to our cost over the years is that major programmes are incredibly difficult to deliver, and you want to have really expert people who have done it before, particularly people who have done other programmes in other situations, as Tom was saying. We have invested a lot in our project development capabilities but, as you have seen for the whole process, also in making sure that major programmes have dedicated, suitably qualified and trained programme directors.



Q66 **Sarah Olney:** Thank you. I will come back to the point about skills, and probably data as well, later. I want to talk a bit about optimism bias, because that seems to be a major challenge in terms of achieving efficiency spending. Two of the things that the Report identifies as being at the root of optimism bias are, first, inconsistent challenge from within Departments and, secondly, poor data. Mr Chisholm, maybe I can come to you first. What has been done within Government Departments to ensure that there is the correct level of challenge, and well-informed challenge, to efficiency savings and programmes?

**Alex Chisholm:** As Tom mentioned, the role of the functions, which has developed hugely over the last 10 years, has really helped there. We now have experts—for example, around property. If you want to get a new property proposal off the ground, that is assessed by the central property team. They do that 100 times a year. It is the same for new digital projects, and the same for the big procurements. Bringing in seasoned professional experts to try to assess these projects is probably the single strongest and most important contribution that we make.

I can speak a little to the Government Major Projects Portfolio and the processes of the Major Projects Review Group, of which Cat Little and I are the co-chairs. Every week, we get to assess projects through that process with the help of the IPA and functional experts. That has provided very good discipline for trying to identify where optimism bias might apply and, as you move through the different stages of a major programme, for trying to shrink that, effectively. For each stage in the planning programme as you move through the strategic outline business case, outline business case and full business case, your confidence in exactly what the costs and benefits will be should go up considerably at each stage, shrinking the optimism bias.

Q67 **Sarah Olney:** Do you think there are enough opportunities for other members of staff in the civil service to challenge things—for example, where they see a plan and cannot see how that will work in the particular part of it that they are due to implement? Do you think there are enough opportunities for people to raise those concerns, and for those to be reflected in changes in the plan?

**Alex Chisholm:** I think so, and a lot of it is to do with the accountability culture. We have had a big emphasis over recent years on making sure it is very clear who is the SRO and who is the programme director, and on encouraging them to feel empowered to say, “I can’t do this in the time available with the resources you want.” That adds a lot to the quality of the dialogue.

You do not want officials blindly going about their business and trying to deliver a project that they do not believe in or that they do not think has any chance of delivering for those resources. Again, that process we described earlier of trying to match up resources to outcomes, which the Chair said was not rocket science, tries to be very realistic about what it is actually going to take. We had much better have that.



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I think the whole attachment of optimism bias is trying to learn from experience. There is a tendency for people to think that they could do it sooner and for less and that the benefits will be bigger. Experience tells you to be cautious about that and to have both an internal and external challenge.

In a way, I would like the programme directors to say to their accounting officers and finance directors, "Look, I cannot do it for that amount of money. This is what I actually need." Once they present their plans, we then test that and say, "Is it too much or too little? Can it be done for that time? What does it look like for other programmes of this kind?" Through that process, you come to an agreed view about what seems realistically achievable. But you don't then just stand back and ignore it for the next five years. Every year you come back again to say, "How is it actually working in practice?"

- Q68 **Sarah Olney:** One of the other contributory factors to optimism bias in the report was identified as being poor data. I wonder, Sir Tom, what the Treasury are doing to improve or to identify the extent to which poor data is contributing to optimism bias and how you might be tackling that?

**Sir Tom Scholar:** If I may, I will turn to Cat, since the data comes heavily under the Government finance function.

**Cat Little:** As you know, we are doing quite a lot to improve the raw financial data we are capturing. The fact that OSCAR II will now collect all ALB data is a really rich and important source of information that we have not had historically.

We are doing a lot of work with the functions to collect benchmarking data. As part of the efficiency review, our first step was to take private sector benchmarks and other parts of the public sector and say, "What does that tell us about HR commercial practices?" It is not to say that we should be replicating it, because we are obviously very different businesses, but it helps us to sense-check information. That is a new improvement we have made this year. I would like to see more improvements to benchmarking data over time.

The other area I mentioned briefly earlier is the IPA benchmarking. That body of historic cost reference data is incredibly important when we are looking at major programmes, because without it we have not got a reference point for huge amounts of money. That has been a really important improvement as well, but there is always more that we can do. Even better than good data is really good analysis. I would like to see a bit more analytical insight driven by the functions in helping us to embed efficiency as well.

- Q69 **Sir Geoffrey Clifton-Brown:** That last point, Ms Little, about your ground data before you start the efficiency savings was really important. Would there ever be a case for saying, "We should not start on this efficiency programme, because we can't measure it well enough, since we don't have the data at the moment. You go away and get the data, then



we will consider your plans for efficiency savings”?

**Cat Little:** Pretty much all big efficiency and transformation programmes have data that you are confident in, because it is a historic data set and you have had it for years. Ultimately, when you are trying to change behaviour, you are trying to predict how efficiencies play out, so you tend to end up with ranges.

Part of the work we do with the Cabinet Office in the Treasury is to constantly review benefits realisation plans, so that we are learning as programmes continue and we are refining assumptions every year as part of our normal financial processes. We don't often say, "No, don't even have a go." We tend to use test-and-learn small pilots to gather data and then scale investment over time if the data proves the assumptions at the beginning.

**Q70 Sir Geoffrey Clifton-Brown:** Mr Chisholm, paragraph 37 on page 25 states that the efficiency saving programme of the Crown Commercial Service was originally proposed to save £3 billion. It actually only saved £521 million in 2015-16 and £945 million 2018-19. Isn't part of an efficiency saving programme setting a realistic target in the first place? How would your Department really scrutinise a programme when proposed by a Department to make sure it is realistic?

**Alex Chisholm:** I do agree that that is necessary. Just to speak up a little bit for the CCS first of all, in the most recent year their savings were actually around £2 billion, of which £1.5 billion was across central Government, and half a billion across the rest of Government. They are increasing their saving rate pretty dramatically year on year, which I think shows that there may have been a little optimism bias in the early stages about how long it would take to get this new system working and people buying into it and putting more business through it.

But the savings we are now making every year are phenomenal—£2 billion a year. If that was a private sector business, it would be worth a fortune; it is actually owned entirely by the Government, but it is saving that amount through our central procurement. That probably tells you something fundamental about efficiency: it tends to build as you get better at it over time, and sometimes people underestimate the curve and think it goes straight up, when it tends to be quite slow and then pick up dramatically in the later years, especially if we stick at it, which we have done in the case of CCS.

I know you are always rightly very keen on data, Sir Geoffrey, so I want to emphasise that as well as benchmark data, which Cat spoke about, and baseline data, which you were getting to, the other tremendously important driver will be user data. When I look forward to what will be the drivers for efficiency—rightly brought out in the NAO Report—as we move to a world in which the daily experience of users of public services is available through a dashboard that can be seen by anybody working in the Department, from the Secretary of State to the new intern, that is a much



higher level of accountability and responsibility to improve the experience of users.

- Q71 Sir Geoffrey Clifton-Brown:** I was sorry to have to use CCS as an example, because we saw over the Carillion debacle that it is a pretty good organisation. You might almost be reading my crib sheet: user data is really important. Could there be a case for doing more user surveys in almost every efficiency programme? That would quickly throw up the weaknesses within the programme—whether it was appreciated by the users, whether it was working, whether it was too complicated and so on.

**Alex Chisholm:** Yes, I think there is. On the point I made before, as we move to digital channels it is much quicker and easier to do that. In response to covid, for example, I asked the question that you have asked of HMRC in relation to the experience people had had, and rather than saying, “Oh, that’s a good idea, we must do a survey,” they were able to say that they had already done it and they could show me the results of people’s experience of the CJRS scheme in particular.

DWP, too, every three months will ask and find out people’s experience as applicants for benefits and build that into the plans for future years. That is a very powerful driver and probably underused overall in Government. We have too much of a provider viewpoint and a user viewpoint is what we are trying to get. If you look at the statement we put out there on the Declaration on Government Reform, it is about trying to focus on the needs of users and using that to drive improvements.

- Q72 Sir Geoffrey Clifton-Brown:** Would there be a case at the outset of an efficiency programme, when it is proposed, for setting more targets or milestones? In that way, you would see very quickly whether the programme was living up to its expectations.

**Alex Chisholm:** Yes, and we do that. As a general approach, you are right; if we break it down to different areas, it depends. In digital transformation, for example, my observation would be that sometimes we do not look at the entire end-to-end cost of what is going on.

We tend to look at digital transformation as taking an existing business process and making it available over the web to the end user, but that is different from saying, “What is the entire cycle of what it takes to deliver that service?” In those cases, if we simply set a target at the beginning of x%, that would probably be the wrong way of looking at it, because first you want to re-engineer it, and then put it live, and every year you should be able to improve on that through continuous improvement. That is probably the better way of thinking about it, rather than a basis of “Here are your targets, you need to deliver them.”

However, targets undoubtedly have an important part to play, not only through the annual outcome delivery plans but also other areas; when I think about the use of Government facilities such as buildings or hubs, you need to have rules of thumb, and we are already experiencing that in the light of what we have learned in the past year and a half.



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The previous rule of thumb would have been 10 people for eight desks; that has gone down to seven over the past two or three years and we think, looking forward, we might even go down to five. That is the type of area where a target can be very useful and you will say, "Why is Department X doing this when Departments Y and Z are doing that?" That could be useful.

- Q73 **Sir Geoffrey Clifton-Brown:** I am smiling because, as you will recall, I was very critical of the Government signing long-term leases for their regional offices, and now some of those leases look very expensive. I was told at the time, "No, they are good value for money." Anyway, that was an aside.

What can we do to encourage a culture of honesty within Departments? How do encourage a culture in which, rather than brazening it out and saying, "It's working, it's working, it's working", until it was obvious to a child that it was not working, someone could instead say, "This isn't working in the form expected. We couldn't redesign it; we could scrap it"? How do we encourage that sort of culture?

**Alex Chisholm:** That is a great question. There is a nice line in the NAO Report, at the centre of figure 4, which talks about "Hard budget restraints + spending flexibility". I think the notion of spending flexibility is very important. If you feel that you have broken some sort of sacred contract between yourself and the Treasury, or between yourself and your accounting officer or Minister, in which you were given so many inputs for so many outputs and you can't vary against that, that is the kind of Stalinist approach that we don't want at all.

It should be possible to say, "Look, knowing what we know now, with the new data we have and the new context we are in, it would be better to do the following." That is the nature of, as you put it, an honest exchange. As long as we are focused on the outcomes we are trying to achieve and there is that flexibility to vary over the course of a programme, we should welcome that.

Also, as I have described before, it is really important that senior responsible officers feel publicly accountable for the delivery of a programme, so it is not in their interests to downplay the resources it will take, because three, four or five years later they will be back in front of you and the TV cameras trying to justify why the programme has not delivered. They would much rather have the trouble up front and say, "These are the resources and skills I need in order to deliver successfully."

- Q74 **Sir Geoffrey Clifton-Brown:** How receptive is your Department—and therefore transmitting that across Government—to new technology? If we are on the verge of a technological revolution, with AI, re-writing and so on, which the commercial sector is quick to exploit but Government is sometimes not so quick to exploit, what can your Department do to encourage each Department to really look at new technology and see how they could possibly do things more efficiently?



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**Alex Chisholm:** The key is probably to be fast followers and to share it out quickly across the wider system. My observation on the difference between the public and private sectors in that regard is that we actually do some great innovations and have a lot of interesting pilots, but we are not so good at then taking what that has told us and quickly applying it across the whole enterprise scale. That is partly because there is risk aversion, understandably. We understand that these are vital public services, so there tends to be a huge level of criticism and public concern if something goes wrong, but that might make people too cautious.

Given the potential, as you rightly say, from the use of new digital technologies and better use of data, we are really trying to encourage through the whole Government reform effort not only the innovation to try it in a small few areas, but the courage and confidence to roll it out quickly across the piece. That will be critical to achieving huge improvements in public services at lower cost.

**Chair:** Thank you, Sir Geoffrey. We will have a quick question from Nick Smith MP.

Q75 **Nick Smith:** Mr Chisholm, I liked your emphasis on the three different types of business case for managing risk, and I liked the emphasis on accountability, so that people know that it will be on them if it fails. But last week we heard about Ajax, where the Government have spent £3.5 billion and we have 16 tanks so far. It seems to me that the producing organisation obviously wants to sell its kit, and the buying organisation wants the new kit because we need it for our country's security.

Within the armed forces there is a culture of making do, getting stuck in and trying to make things work, but we have a really bad outcome where soldiers are having to go to the sick tent because they are really suffering as a result of the vibrations. Now we have the procurement Minister trying to make the best of this really difficult situation. How can you in those circumstances get another layer of external challenge and scrutiny that says, "Something's going wrong here. Let's spend time ourselves looking at this properly", so that we don't end up in the mess that we have got with Ajax?

**Alex Chisholm:** I am not very familiar with that programme, but my colleague Cat knows a lot more about it than me. Can you deal with this question, Cat?

**Cat Little:** That programme is obviously currently subject to a central review in Government. The review is looking at culture and openness and how we ensure that everyone is able to alert not just their direct superiors but the wider assurance process in Government. Of course, a lot of it comes down to personal behaviour, but ultimately these are the sorts of cases that we should talk about openly and say, "We want to solve it. We want to make sure the armed forces have the right capability to do their vital work." If we are able to talk about problems early, we can do more to fix them. I think you are absolutely right about making sure we have the



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culture, the openness and the right assurance to look at those sorts of programmes.

- Q76 **James Wild:** I declare an interest as a former special adviser in the MoD at the time of the 2015 SR. My experience was more of centrally imposed targets where there was perhaps not a rigorous analysis or plan that then sat behind the delivery, so it is encouraging to hear what you were saying about the outcome delivery plans.

What has the stress-testing exercise shown in the plans that you have gone through in terms of the assumptions? How realistic are they? What has come out of that exercise?

**Cat Little:** Across the whole of Government?

**James Wild:** Yes, or big programmes.

**Cat Little:** There are lots of lessons learned and we have seen lots of things that are common to pretty much all parts of Government. No. 1, we have actually seen delivery plans produced. This is the first time we have seen concrete delivery plans for mature programmes and proposals for efficiency. It is heartening to see that that request has been taken very seriously and a huge amount of effort has gone into producing those delivery and implementation plans across Whitehall.

Where there is the use of technology, it is absolutely true—I know you have got a Committee hearing on some of this next week—that we are often using novel, innovative and untested techniques, so you tend to find that you have to take a much more agile approach to benefits realisation. That means that a lot of our governance and processes in Whitehall need to adapt and change. We are currently reviewing, as part of Project Speed, how we become much more agile in our review of benefits realisation to ensure that we can keep pace with some of our technological improvements. By and large, there is a whole range—and every Department, depending on its business, has a range of confident delivery and things that are just uncertain.

- Q77 **James Wild:** HMRC did a review of their targets in 2015 where they talked about not having met them because of over-ambitious assumptions and also capability and technology challenges that came along. How will the Treasury and the centre avoid the desire to bank some savings to make the numbers add up, and then, in three or four years, we find that those plans were never realistic and were never going to be met, and Departments come to you and say, “Actually, can we have some more money, please?”

**Cat Little:** That is exactly why we have done this pre-launch phase on the efficiency review—to try to get the biggest and most critical programmes assessed up front. We have been working closely with the DDaT function—the digital, data, automation and technology function. Mr Chisholm might want to say a bit more about their work.



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I co-chair quarterly business reviews with the head of that function to go through ongoing programme delivery as well as transformation in every single Department. That has taught us a huge amount about existing programmes and how we would translate lessons learned into the SR. At every star chamber, we had technology experts on the line, going through, line by line, delivery plans. Quite a lot has happened in that space.

**Alex Chisholm:** I have just two things to add to that. Cat rightly emphasises that quarterly process. We had advice at the Digital Economy Council that was given to us last year. We talked to all the big tech companies out there and they said that it is very difficult to assess progress on an annual basis. You need to be close enough to the spending areas to be able to understand quarter by quarter what they are trying to do and what new issues they have encountered. That is part of that much tighter assurance that we have established and is running every quarter. The other issue that came through strongly from this review, which, again, Cat and I were heavily involved in, is that Departments were better at setting out their expected costs than their expected benefits, and you tended to move—

**Chair:** Never!

**Alex Chisholm:**—from numbers to words as you moved from costs to benefits. We have been very clear that we expect the numbers to be equally clear and strong on the benefits side. Benefits realisation is going to be a strong theme through this spending round period.

Q78 **James Wild:** I recognise the challenges around data and the problems of that. What about the space of property and headcount, and other areas? Have you rejected plans—pushed back on plans—for reducing the size of estates and whatever it might be because you think they are over-optimistic?

**Alex Chisholm:** On property, the Government have ambitious plans to shrink the London property estate, which is obviously expensive. We haven't been able to do that quite as quickly as we had wished in Whitehall due to, first, the expansion required by Departments in response to Brexit and then covid, but we have identified over 100 London leases of which round about 50 have been terminated or are in the process of terminating. That is going to save a great deal of money for taxpayers. Obviously, in some cases that has been offset by some new properties that we are establishing as part of the Places for Growth programme with Government headquarters in places such as Wolverhampton and Stoke, and indeed Darlington for the Treasury and other economic Ministries, but it is going to be a major net saving overall—billions of pounds a year will be the cumulative saving from that over time—plus all the benefits that come from getting closer to the communities we serve and having a more diverse group of people to work with.

Q79 **James Wild:** Picking up on that, the civil service headcount has gone up by 28,470 in the last year. What would your expectation be at the end of the next SR period—that that number would be higher, lower or the



same?

**Cat Little:** My assumption in the spending review is that it is lower, and that is because it is linked to our assumptions about covid and EU exit spending. Going back to 2016, the civil service headcount has increased by about 66,000, and we think it is not entirely down to covid and EU exit. We think that certainly those two things have had a massive impact on that increase. Part of what we have to do in the spending review is disentangle: where have we seen headcount increases and for what reasons? What was temporary? Over what timescale would Departments reasonably return to more normal levels of headcount on top of the work we are doing on efficiency? Of course, efficiency savings quite often cash out because you are making reductions in commercial contracts, estates and people, so in order to deliver the 5% we would expect to see some reductions in the headcount of the civil service, but that is all to work through as part of the SR.

Q80 **James Wild:** On the points about the estate, desks and all that, what assumptions are you taking into the review and those numbers on working from home and how often people are going to be coming in, as opposed to being at home?

**Alex Chisholm:** Not fixed at the moment, and obviously there is a huge amount of heterogeneity across civil servants. When I engage with colleagues and talk working from home, the people working in Border Force or as prison officers, who are civil servants as well, look at me a little askance. There is obviously a huge amount of variety, and we have found that, overall, at civil service level, we can move to a greater number of people working more flexibly in some cases from home and in many cases across offices across the UK. That is a huge positive. Those who have been on the Committee for many years will know how many times civil servants have felt it is difficult and expensive to have to bring everybody down to a face-to-face meeting in London. That is not necessary now to anything like the same extent, as well as the expense of London real estate. Definitely some big opportunities there, and the rough quantum of that? I described it as moving from "10 to 7", or to "5 or 6" in some cases. That probably describes the extent of the transformation we expect over the next few years.

Q81 **James Wild:** At the moment, what proportion of your staff are coming in on a regular basis? What proportion of staff are in the Cabinet today, would you estimate?

**Alex Chisholm:** In 70 Whitehall it is pretty full today, as a matter of fact, but it will vary across the estate according to the nature of people's tasks. Also, we are still in the presence of covid, and there need to be health assessments done for each building, but we have done ours and have got quite a buzz in the office today, I would say.

Q82 **James Wild:** Is the same true of the Treasury, Sir Tom?



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**Sir Tom Scholar:** Numbers have been on a steadily rising trend. We will be reassessing all of our guidance when we get the new Government guidance tomorrow as part of the Prime Minister's announcement.

Q83 **James Wild:** We have talked a little bit about piloting so far, in that the NAO report picks up on the rehabilitation reforms. I don't know, Ms Little, if you were in the MOJ when they were going through or not. How can the centre ensure that there is proper piloting of projects and procurements where we are taking the new approach? How can you mandate that?

**Alex Chisholm:** Very often. I would say through two particular tools we use most—the MPRG process I described already and the Cabinet Office controls, which are controls delegated from the Treasury but done mainly by Cabinet Office teams, with Treasury colleagues sometimes participating as well. Those have been applied to, for example, around £185 billion of expenditure over the last year by commercial teams, another £10 billion or so for digital teams, and substantially more for property and comms as well. All of those are good processes to try and achieve that result.

Q84 **James Wild:** As part of this process will you be locking in? Anyone who comes forward with a transformational reform needs to pilot it to prove the concept before it is given the green light.

**Alex Chisholm:** Yes, very often it is part of the conditions. Sometimes we say a flat no. More commonly, we say a conditional yes. The conditions very frequently include piloting. We have some major examples at the moment where, rather than somebody making a big commitment to a new area of relatively untested expenditure, we say, "That is interesting. It might be right, and it might be wrong. Why don't you go and pilot it first and come back to us in three months' time?" It is not a yes or no. It is usually a yes with conditions. Those conditions very typically include piloting and evidence.

Q85 **James Wild:** Okay. I am interested in how we track progress. In 2015 lots of efficiency targets were set with the spending review. Across the piece, what proportion of those have been realised in that spending review period?

**Cat Little:** I am afraid I don't have those figures on the top of my head, but I would be very happy to write with those. We have undertaken quite detailed analysis from 2010, 2013 and 2015. I will write to the Committee to set that out.

Q86 **Chair:** To be clear, we will not have any of those lost, because covid got in the way? We will be tracking them through regardless.

**Cat Little:** Yes, I can do that.

Q87 **James Wild:** Whose job is it to make sure that the Departments that are tracking will then continue that challenge process throughout? Is it the Treasury, Cabinet Office or a joint process?

**Sir Tom Scholar:** It is a joint exercise. On the lines Cat described earlier, we have these regular, quarterly stock-takes, which are the whole or the



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centre—the Treasury, the Cabinet Office, the delivery unit, and other experts as needed, but those are for each Department to hold them to account for performance.

**Q88 James Wild:** On transparency, Sir Geoffrey has talked about milestones. In terms of procurement, you are publishing the key KPIs for the big contracts. What is the transparency going to be for MPs and for any member of the public to see the delivery progress against any one of these targets?

**Alex Chisholm:** All the outcomes to every plan were published in full in July. I do not know how many members of the public have been through those, but they are available with very clear targets.

**Chair:** We will advertise them.

**Alex Chisholm:** I strongly expect that at the end of this year there will be a reckoning up with this Committee about how Departments have performed against them. That is part our purpose, actually—to have a high level of public accountability.

**Q89 James Wild:** We talked a bit about the issue of data and the quality of data in order to be able to track this. The Report talks about Windrush and carer's allowance as areas where there are issues with data. How are you going to deal with the constraints that inconsistent and poor-quality legacy systems and data produce for mapping these commitments?

**Alex Chisholm:** It is absolutely a huge issue and it is probably why the potential for transformation and automation will be over two or three SR cycles rather than one, because the current baseline of data is not where we would wish it to be. We are making big investments in SR20, such as £600 million committed to legacy IT—that is on top of departmental spending—to try to upgrade those old systems and bring data into modern digital exchangeable formats. We are also investing a lot in making it easier to share data between Departments for public service efficiency purposes.

We have a catalogue of over 200 different APIs for things like birth registries, which used to be very manual processes, but are now automatically updated for all the people who need to know about that because it relates to various entitlements. Lots of other data of that kind is now shared automatically.

I suppose the other point you are probably driving at is when we try and assess the performance of Departments against our own metrics, there is the public accountability, but we also have the evaluation taskforce. That is again a joint initiative from the Treasury and the Cabinet Office to go back and evaluate much more quickly than before how Departments have performed against some of those plans, and to be able to share learnings and provide quick correction.

**Q90 James Wild:** Who is part of the evaluation taskforce? Who sits on that body?



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**Cat Little:** I chair the oversight group jointly with Sam Beckett, who is the permanent secretary at the ONS. It is made up of analysts, finance and digital experts who come together to oversee the programme of work across Government.

Q91 **James Wild:** Again, will the findings of that taskforce be shared publicly as part of the delivery plans, or will there be some other form of transparency? Is that the intention?

**Cat Little:** That is certainly the intention. One of the main goals of the taskforce is to increase transparency and to share our findings.

Q92 **James Wild:** A final one from me: spend on consultants by Departments is high and has been increasing. Obviously, Brexit-related spend was quite significant and covid spend as well. How will that be brought under control?

**Alex Chisholm:** We do have a strong programme to try and cut that external spend. We know that we need to use the private sector for lots of different purposes, so we want to make sure where we are using consultants it is because they are bringing some unique skills, or have particular knowledge we do not have and would not be efficient for us to have in place.

As you rightly say, there has been some use of consultants because of the emergency situations brought about, particularly by covid but also certain pieces of Brexit work. We expect those to cease. The covid taskforce, for example, are not using any consultants at all now. We are reducing that, and that is a clear aim of the spending round. One of the areas that we focused on in the efficiency star chambers over the summer was the use of consultants. That is something that Ministers are very keen to minimise. They would like to see us build up the capabilities of our in-house team, train up our own people, particularly in digital and project development skills, and not rely so much on external consultancy. That is a big part of Government reform. It was set out in the Government reform declaration. When we spoke before this Committee about skills enhancement, those were the particular skills we needed to enhance.

Q93 **James Wild:** Could part of the proposition be a spend to save by increasing the capability and capacity within the functions? Is that what you are looking at?

**Alex Chisholm:** That could be the case, particularly for the DDaT function.

**James Wild:** Obviously, Test and Trace has a thousand consultants on the books from the most recent figures. I just put down a PQ to find out what the current number is. I suspect they are probably still using some, but we will see.

Q94 **Chair:** On the consultants, we have looked at this before, of course, and there was a difference in definition of what a consultant was in different parts of Government—an interim or a consultant—and some had effectively become staff. Are you sure, Mr Chisholm, that you have



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bottomed out what that is, so when Departments are reporting their head count to you, they are not just fudging the figures?

**Alex Chisholm:** Yes, I think it is to do with consultants and contractors. I am hoping that the answer to that is yes. As part of the OSCAR tool, we have standardised that.

**Cat Little:** Yes, there are standard definitions and there is now standard data allocation for all cost centres, but obviously this is all dependent on people matching data in the right place. There is also a big piece of work across procurement, commercial and finance functions to try and make sure that data entry is as accurate as possible, but we have done as much as we can from the centre.

**Chair:** There is a world of difference between a specialist brought in, very short term, to do something that the civil service cannot do and someone who effectively sits on the books as a member of staff and is treated like a member of staff, but is earning consultancy rates. We will continue to watch that, because it is a very big issue.

Q95 **Sarah Olney:** You were talking earlier about specialist skills in the civil service, and you gave the example of people with specialist property skills, but to deliver the efficiency savings you are looking for, you will obviously need a wide range of staff with specialist skills. Do you have the right skills? What shortages are there? To what extent does a skills shortage represent a risk to delivering efficiency savings?

**Alex Chisholm:** It is a great question. One way of looking at the improvements we have made in the civil service is to look at the number of people who identify as being a member of a function. We were talking at the end of last year about skills, and at that stage it was 117,000 across the civil service. We have just done the new survey, and it is now 134,000, which is a big increase, year on year, in the level of professionally skilled people we have, which is great. Nevertheless, when we compare ourselves with the best organisations out there—the best professional services firms or the best software businesses, for example—we still find that we are quite light in some of our digital experts, so that is an area we need to continue to invest in. Although we have trained up a lot of people in project development—several hundred people have now been through the Major Projects Leadership Academy, and we have another version of that for more junior people—the demand is almost inexhaustible because the nature of the work that we have to do requires very sophisticated programme development skills. So, “Much better than we were, but not where we would yet want to be,” would be my summary.

Q96 **Sarah Olney:** When you say you don’t have quite the people you want, to what extent is that endangering your ability to deliver the efficiencies that you’re hoping for?

**Alex Chisholm:** This relates to the points I was making before. If you just made an assumption about making a certain level of efficiencies without trying to explain how you are actually going to achieve that, that would be in danger, but what we have learned from experience is to be much more



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testing about how exactly you are going to achieve that, and then to say where the resources are that are lined out that make us feel confident that that is actually an achievable goal.

- Q97 **Sarah Olney:** So you are saying that the other parts of the process that are built in will identify, for each project, where you have a skills shortage, and that that would be part of the decision on whether to press ahead or not?

**Alex Chisholm:** Yes, and that has been critical for some of these. If you look at the Government major projects portfolio, 184 projects are mentioned, with £550 billion of whole-life costs. Sometimes you look at the teams in a Department responsible for dealing with that, and indeed we focus every week on this, and say, "What's your capacity to spend that money intelligently and deliver this over time?" Sometimes we think that people have outsourced too much and have too skinny a client—apologies for the jargon—and there is not enough in a central team to manage that efficiently, even though it is, say, a big construction project and you have lots of external resources involved in it.

- Q98 **Sarah Olney:** How often does it happen that you don't go ahead with projects because you do not have the right people or the capacity? Is that frequent?

**Alex Chisholm:** It is more the case that we give conditional approvals. We say, "You can go ahead but you need to come back to us in a month's time with a plan for how you are going to move from"—say—"five contractors and five temporary workers to a dedicated team with the right skills, numbering 25," or whatever the case may be.

- Q99 **Sarah Olney:** How are you ensuring that Departments are not competing with each other for skills, particularly specialist skills and the functions that you have talked about? How are you making sure that the right people are in the right places and are not doing something less efficient than elsewhere?

**Alex Chisholm:** First, there is a degree of competition. It should be acknowledged that there is an internal market for jobs in government. The system we have is one in which jobs are advertised openly and people apply for them, and they get those jobs on merit. There isn't some kind of super HR department simply moving people around against their will. That is because this internal market is more efficient at matching up people with the right skills to the right jobs than any single team would be, as in other markets, so there is that little bit of competition that you actually expect and want in the system. We moderate that competition through the Treasury and the Cabinet Office working together to ensure some basic alignment in pay rates and staffing structures that apply across the civil service.

The other thing we do, where we notice there are clear pinch points—I have highlighted the two that worry me the most, which are people with deep digital skills and people who can manage major programmes—is that we try to add to those numbers by hiring lots of those people. Actually,



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the IPA has just begun to hire top practitioners who can be available to the Departments and can say, “Well, if you haven’t got someone with the right expertise to manage a major programme, we will give you someone for that purpose.” Again, we are looking to increase our DDaT resources internally for the same reason.

Q100 **Sarah Olney:** Thank you. Sir Tom, how do you plan to encourage Departments to think about efficiency all the time, as opposed to just when spending reviews are approaching?

**Sir Tom Scholar:** Well, as we said earlier, when we set budgets through the spending review process, they are inevitably quite tight, so Departments do not have a lot of slack. Each Department is dealing with a world that is constantly changing and throwing up new challenges, and they know full well that if they come along to the Treasury and ask for more money for a particular pressure, the first thing the Treasury will say is, “Well, you should be looking elsewhere and reprioritising.” They fully understand that that is what will happen, so they have a clear incentive to reprioritise. Also, the Treasury’s own reserve is not limitless—it too is quite tight—so the Departments know that more often than not such a request will be turned down, so they have a clear financial incentive to reprioritise continuously. Accounting officers also have obligations through “Managing Public Money” to do the same thing, and all of that is part of the ongoing in-year monitoring between the spending team and the finance department of each Department.

Q101 **Sarah Olney:** You talk about incentives. If people are identifying efficiencies that might cause their own job to disappear, do you think they will be sufficiently incentivised to pursue that?

**Sir Tom Scholar:** Well, many civil servants in most Departments typically move from job to job. In the example you give, if someone in that position finds a way of doing something more effectively or efficiently, that would be seen as a good and career-enhancing thing to do, rather than the contrary. I think it is more the people who are not creative and innovative and who resist change who might come into that category.

We are certainly trying to encourage that innovation, and that is partly what Cat is trying to do through the finance function—tell me if I get this wrong, Cat—so that increasingly the finance team in each Departments is driving the way the Department thinks about delivering its business and achieving its results, and it is inherent in a finance function that it will be looking for efficiencies and savings all the time. If we can get a stronger finance function that has a bigger impact on departmental strategy and service delivery, that will also help Departments to unlock efficiencies year on year.

Q102 **Sarah Olney:** What lessons have you drawn from previous Government efforts to embed continuous improvement?

**Sir Tom Scholar:** Cat was talking earlier about our reviews of recent spending reviews. As the Report says, identifying efficiency savings works well when it does all the things that the Report says we should do, and all

the things we have been talking about—when we look at the impact of savings in one Department on another, when we look multi-year, and when we guard against optimism bias. It does not work so well when—this is perhaps along the lines of what Mr Wild said—the savings are a bit of an afterthought, put in there to make the numbers add up, and there is no clear plan underpinning how those savings will be realised.

We are determined not to take the latter approach, and to help us with that, we have gone through the 5% exercise that we have talked about. It was one of the preparatory building blocks for the spending review. When we come out with a set of plans at the end of October, where efficiency savings are identified, they will be clearly defined and articulated, so that we all know what they mean and what we are expecting to happen in order to realise those savings.

**Alex Chisholm:** We have had two one-year SRs. The shift to a multi-year one makes a big difference, thinking about Invest to Save. We have all been in a situation where you could spend a certain amount on a project and then be back in the money, but being back in the money within the same year is difficult to achieve. Right across Government, I have seen much stronger, bigger, more exciting proposals put forward for genuine efficiency transformations, because you have that three-year context. It really helps.

Plus there is the point we were discussing earlier about users providing a very strong pull for continuous improvement. This is not just about the efficient use of Government funds, and other projects you want to be working on; there is also the evidence that comes from the experience of users.

Q103 **Sarah Olney:** Sir Tom, how will the spending review help to clarify the Government's biggest priorities?

**Sir Tom Scholar:** In my experience, spending reviews always set out overall themes, and I am sure this one will be the same, so I will expect us—this will be partly in the document that we publish, and partly in the way that the Chancellor will frame the review—to set out the big, high-level objectives that the Government are trying to achieve through the spending review, and clearly through everything that Departments are doing over the coming years. Then we will explain how the settlement supports those priorities and that programme, which will obviously include resources devolved to particular priorities. The flipside of that is the areas where economies have been made, and of course, we will include efficiencies.

Q104 **Sarah Olney:** Do you think there will be activities that you stop doing, because they are no longer among the Government's main priorities?

**Sir Tom Scholar:** We have already covered two main areas where there has been a huge amount of spending over the past few years: exiting the EU and dealing with the pandemic. On both, there is still work being undertaken and there are things being done, but those are both big areas of activity that will tail off over the time covered by the spending review.



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Beyond that, I think I'd have to say, "We're working on it." We have a very intense six or seven weeks ahead of us, as we seek to answer all these questions and define things in the settlement letters that we will agree with each Department.

Q105 **Sarah Olney:** Do you have anything to add to that, Ms Little?

**Cat Little:** No. The only thing to add on the efficiency review that we started back in April is that we did at the time ask Departments to set out priorities and things that they might choose to de-prioritise, so at least we have had good engagement on the sort of things that might be up for debate in the SR.

Q106 **Chair:** You talked about headcount reduction being a possible outcome—I think it was Ms Little and Mr Chisholm. We also talked about consultants. If headcount is reduced, how will you guard against those people being replaced with temps or consultants, or misdefining people who are coming in on very high rates compared with salaried staff?

**Alex Chisholm:** The key to that is having multiple controls, I'm afraid. You need to control the amount of money available; you need some control on the number of people; and you need controls on your freedom to procure externally for consultants. That is how we do it in the Cabinet Office—and, I think, other Departments.

Q107 **Chair:** You talked about the surges; with Brexit and the pandemic, we have seen headcount go up. Would you envisage redundancies, or a sort of natural wastage—the natural moving on of some of the people with skills in those areas who came in to deal with those issues?

**Alex Chisholm:** It depends on the scale of it. The typical turnover in Departments might be 8% to 10% in any particular year. If you had a massive downscaling in the number of people working in the civil service, that wouldn't be adequate. What Cat was talking about was more like an unwinding of some of the additional people taken on for covid and EU exit, so that would be more manageable.

Q108 **Chair:** Will you be looking at the relative level of redundancies or the drop in headcount, however it transpires? In local government, many councils have reduced very seriously their number of senior directors, so often their cabinet members outnumber the senior directors, who often have two or three responsibilities, whereas before they had one of those. Is that the sort of thing you would be expecting Departments to look at—if you like, sweating their most expensive assets in terms of people harder, rather than taking the hit down the line? Is that something that is at all happening?

**Alex Chisholm:** Absolutely, yes; the general principle of workforce transformation around spans and spines, so how many people are responsible within a particular span to one senior person, and on spines, how many people there are along the way up—generally trying to take out two or three of those layers. Those are the most typical tools that are applied in those types of restructuring situation, absolutely. Part of the pressure that we are trying to encourage in that three-year process is for



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Departments to look more expansively at those opportunities to improve their efficiency and to put people to work in areas of higher priority and bigger impact.

Q109 **Chair:** To switch tack on the issue of risk, which you touched on earlier, we had the DWP in last week, and Neil Couling, who has been responsible for lots of things, but particularly universal credit, was one of the key assets in the pandemic process because he could remember 2008; he was in touch with staff who had worked there in 2008. Had he not been in the Department, there would have been little personal memory of that era. What are you doing at the Cabinet Office to make sure that the knowledge of people who worked in difficult times is tapped into when you are planning for disaster recovery?

**Alex Chisholm:** One of the key things there—Neil is a great example of it—is to have people responsible for programmes for a period of years.

**Chair:** That never happens here.

**Alex Chisholm:** I know that is something this Committee has encouraged, but I hope you were encouraged to see that one of the 30 actions in the Government reform declaration is to try to do that, because it is incredibly important. It changes people's incentives as well: if they think they are in a project for a year and a half, all the things we have been talking about here—being realistic about how long it is going to take and learning as you go along—don't really apply, but if you think you'll need to see it through and you'll be facing this Committee, the public and the end users five years later, that greatly improves things.

Universal credit is a perfect example of that; they had a lot of difficulties in the early period, and they learned a lot from that. At the time at which it became wholly digital, people were saying, "Oh gosh, do you really need to do that? Is there really going to be the demand for it?" If it hadn't been wholly digital, they would never have been able to cope with the situation we experienced during the first part of lockdown.

That is, if you like, an encouraging reference for us saying, "We do want to have people across programmes for much longer." Actually, Neil is a good example, because he is being used across DWP on some of their other programmes now to say, "Right, what are the examples that we can learn from universal credit?" Cat and I were looking with Neil at, for example, health assessments over the summer to see what we have learned from that programme. We are much more conscious about sweating our intellectual resources and our experience within the service, rather than approaching each thing as a brand-new challenge.

Q110 **Chair:** And yet permanent secretaries move so fast that we can hardly keep pace.

**Alex Chisholm:** It has slowed down in the last few months.

Q111 **Chair:** It has, actually, yes, but I have been Chair of the Committee for six years and there is only one permanent secretary who has been here



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longer than I have been Chair. That tells you a little about how it was, but that is another issue. I expect you would all love contracts longer than five years.

Quickly on dashboards, you talked about dashboards for services and making sure service users' information and the impact on them is recorded, but it is not new. The passport service does it, and I am sure that there is something similar for service-facing bits of Government. Are you looking at where is there a good example and where there is a poor example, and how are you trying to get the poor example up to the standard of the best?

**Alex Chisholm:** I can't pick on a good and a bad one straight out like that, but the point I feel strongly about is that we do now gather that data about people's experience every day and what the rates of throughput, for example, are going to be.

Cat and I have been looking at Her Majesty's Courts and Tribunals Service moving to a digital platform, and what its expectations are as to how long trials should take in future, how many are unsuccessful and the different types of trial. One thing we were pressing them for was to come up with clear targets and baseline data, and then to use that as a basis to see what you can improve year in, year out. That is very much the type of thing that is easier to do when you work in that digital environment. In the past, people could have been a little inclined to say, "It will take as long as it will take." As we look at those big throughput operations, that is not the right mindset. We should be constantly improving and really pressing on people that that should be their expectation.

**Chair:** I have a vision of a Shoreditch techie putting something together in their bedroom—an app to show how fast and efficient Government services are for people. I dream that, one day, Whitehall will be more like Shoreditch, but there you go.

I thank our witnesses very much indeed for their time. We have a big task ahead of the spending review. We wish you well, and hope that you are thinking of the taxpayer and the user at the heart of your work. I am sure you will be making sure that our concerns are reflected. We look forward to having you back once the spending review has been announced to crawl through some of the detail on that. Thank you very much indeed for your time. Our report will be published in the next few weeks.