



Communities and Local Government Committee

Oral evidence: Performance of the Department
for Communities and Local Government 2013-14,
HC 878

Tuesday 3 February 2015

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Evidence from witnesses:

Panel 1 (Questions 45-163)

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Members present: Mr Clive Betts (Chair); Bob Blackman; Simon Danczuk; David Heyes; Mark Pawsey; John Pugh; and John Stevenson.

Panel 1 Questions [45-163]

Witnesses: **Sir Bob Kerlake**, Permanent Secretary, Department for Communities and Local Government, and **Helen Edwards CB CBE**, Deputy Permanent Secretary and Director-General – Localism, Department for Communities and Local Government, gave evidence.

Chair: Can I welcome everyone to this evidence session on the performance of the Department for Communities and Local Government? I welcome the DCLG officials to the Committee. Before we get into our questions, I will just ask the Committee to put on record any interests they may have. I am a Vice-President of the Local Government Association.

Simon Danczuk: My wife is a councillor and some of the staff in my constituency office are councillors.

David Heyes: I have two members of staff who are local councillors.

Mark Pawsey: I have two members of staff who are councillors.

John Pugh: I am a Vice-President of the Local Government Association and I have a member of staff who is a councillor.

Q45 Chair: I welcome you both. Just for the sake of our records, if you could say who you are and your position, that would be very helpful.

Sir Bob Kerlake: I am Bob Kerlake and I am Permanent Secretary at the Department for Communities and Local Government.

Helen Edwards: I am Helen Edwards. I am director-general of the localism group and have acted as Bob's deputy.

Q46 Chair: Welcome. Thank you for coming this afternoon. Sir Bob, you said to a meeting back in September that your "secret to success at the Select Committee was to be Boycott and not Botham". I remember Geoff Boycott scoring 146 for Yorkshire in a Gillette Cup final in 1965 against Surrey, when he hit the bowling all round the ground. Do you think you might follow him in that regard this afternoon?

Sir Bob Kerlake: He had his moments of inspiration, Chair, but taken in the round most people would say he was more effective than enjoyable as a batsman. I will try to do my best to match his best.

Q47 Chair: Whether enjoyable in his normal guise would be perhaps a moot point, but I am sure we are going to enjoy our session with you this afternoon. May I ask about a very important issue: matters of local government spending? It is probably the big issue around for your Department and for us as MPs and for councillors and members of the public, but it is very difficult to get a handle on precisely what level of reduction is taking place. Who decides in the end in the Department how spending powers or reductions in spending are presented? Is it an officials' decision or is it Ministers who make the decision?

Sir Bob Kerlake: Ultimately it is for Ministers to consider and decide on the presentation, but they do it on advice from officials, so they get our advice about this. Clearly in some instances it relates to national statistics, and there are a set of rules about numbers, but in terms of things like spending power we give advice. One thing I can say, though, is that in terms of any numbers we produce, we are very transparent about how the calculation has been done. It is perfectly possible for people to have different views about how to calculate it—indeed, you have had a supplementary briefing note from the National Audit Office that draws attention to the fact there are many ways of calculating these figures. What we have felt is the most important thing is to be completely transparent about how we have done our

calculations, and then others can look at that and form their own opinion and do different calculations if they wish to.

Q48 Chair: But sometimes it appears, does it not, that Ministers, for obvious reasons—I am sure Ministers in all Governments do it—pick the figures that most suit them and officials stand by and let it happen? Have you not got a responsibility as officials to be a little bit more careful when you as a Department produce information that you expect to be taken at face value and not to have to read the small print to find out exactly what it means?

Sir Bob Kerlake: We take a great deal of care, Chair, about how information is presented. As I said, we are very transparent about how calculations are done. We do take that care, we do advise Ministers, and they do listen to that advice in terms of how figures are presented.

Q49 Chair: The figure that has been used consistently about next year's reduction in spending power is 1.8%, but the National Audit Office, you will see in its briefing to us, has said the figure is 7.5%—a big difference. Is it reasonable to start using figures just in cash terms—in the most favourable way of presenting them—when 7.5% in real terms is the figure the NAO has given us as their understanding of what is happening?

Sir Bob Kerlake: What it does say in the NAO note is that they are not seeking to criticise the way in which the Department calculates this. It expressly says that in their note. They are simply seeking to draw attention to the fact that there are different ways of making this calculation. In the case of the Department, we have been very clear that we use cash rather than real, and that we incorporate the Better Care Fund and public health funding into our numbers whereas they do not. It is perfectly possible for someone to understand why we reached the figure in the provisional settlement of 1.8% and why there is an alternative calculation that gets you to a different number. That is a reasonable way for the Department to proceed.

Q50 Chair: The reality is when the figures are used on the 10 o'clock news the small print of the calculation does not appear there and people do not understand. They see the headline. Therefore, is it surprising that the LGA has said that using the Better Care Fund figures as part of this calculation of the 1.8% is "double counting" because that money is in the NHS budget as well? Were you at least a little taken aback when the Chief Executive of CIPFA, a body of some repute, said that you had been "disingenuous" in including resources from the NHS

within councils' spending power? "Disingenuous" is a very strong criticism from an authoritative and independent public body, is it not?

Sir Bob Kerlake: I know the Chief Executive of CIPFA very well and have the highest regard for him, but on this point—

Q51 Chair: He obviously has not got as much regard for you, has he, in that sense?

Sir Bob Kerlake: I think he is expressing a view on the approach that the Department is taking. I hope it is not a personal comment. I am sure it is not. Let me just say on this point: we do not think we are being disingenuous. We do not call it "small print". We have made a calculation based on a certain set of assumptions that I am happy to go through in terms of each of those—

Q52 Chair: But on that basis the Better Care Fund is included in both Departments' figures, is it not? It is included in the NHS ring fence and it is included in the 1.8% reduction in spending power.

Sir Bob Kerlake: That is because of the nature of the Better Care Fund.

Chair: It is double counted, is it not?

Sir Bob Kerlake: No. Let me just finish.

Q53 Chair: How do you term, then, putting the same money in two Departments' budgets as anything else other than double counting?

Sir Bob Kerlake: The point I would make is that this is a pooled budget that works to the benefit of both health and local government.

Q54 Chair: Yes, but it is one pool counted twice.

Sir Bob Kerlake: No. Let me finish the point. It is a budget that local government has significant influence over through the health and wellbeing boards and it has a significant benefit to the shared agenda in relation to health and social care, so it is perfectly reasonable to include it, provided—and I emphasise this point—that we are transparent about the fact that we have included it. If people take a different view, as, clearly, the Chief Executive of CIPFA has, that is entirely up to them.

Q55 Chair: But it is double counted, is it not? The 1.8% figure that you use as a Department includes the Better Care Fund, but that money is also included in the NHS budget to show that the NHS is being protected from inflation, is it not?

Sir Bob Kerlake: It clearly is in the NHS budget and it is used for—

Chair: As well.

Sir Bob Kerlake: Hang on. Let me just finish what I am going to say. It is in the NHS budget, but it is used through the NHS budget for the direct work—shared work—on health and social care.

Q56 Chair: I understand how the money is used. I am interested in how it is counted at this stage. It is in the NHS budget and enables the Government to say, perfectly legitimately, that the NHS budget has been protected from inflation, but it is also included in CLG's budget given to local councils to show that the reduction has only been 1.8%. It is included in both figures, is it not?

Sir Bob Kerlake: No, it is not shown in the grant sums that we pay to local government.

Q57 Chair: But it is included in the spending power calculation, is it not?

Sir Bob Kerlake: There are two different things here, and it is really important—

Q58 Chair: But it is included in the spending power calculation, is it not?

Sir Bob Kerlake: If you are going to let me finish answering the question, I will explain the point I am making. The money in terms of spend is in the NHS budget; it is not in CLG's budget, because we only have the grant that we pay to local authorities. When we calculate spending power, which is the position of individual authorities and the movement between years, we do include it there because it is an influenceable budget that works to the benefit of local government as well. What we do, though, is we put it on both sides of the equation.

Q59 Chair: It is counted twice. I think we got there, just about, in the end.

Sir Bob Kerlake: No. We are going to have to agree to differ on the point you are making, Chair. The money is in one budget and it is spent in one budget.

Q60 Chair: One suggestion is that because of all the concern over the myriad different figures that are now used about local government

finance, some independent body should be created—a bit like the Office for Budget Responsibility—that could decide what the real figures are and agree a consistency of approach so we could all understand them. Would you agree with that?

Sir Bob Kerslake: It is up to Government to decide whether they want to create such an independent body, and for Parliament to decide whether they want to agree to approve it. It has not so far been seen as desirable by any previous Government, Labour or Conservative, but it is a choice for a future Government, certainly.

Chair: And you would not have a view on what that future Government might do.

Sir Bob Kerslake: It would be for Ministers to make that decision, Chair.

Q61 John Stevenson: One of the big issues is the financial sustainability of local authorities. According to the National Audit Office, you have “limited understanding” of how councils will cope with future spending reductions, you do not have a “robust” indicator of financial sustainability, and you rely on other Departments and inspectorates to tell you when councils are failing. How would you respond?

Sir Bob Kerslake: I think personally they got that wrong. I was very clear with them in my response that that was my view. We have a number of ways in which we are able to assess whether local authorities are able to manage, and they are both formal and informal. We have the reports of their auditors, which are brought together; we have the statutory duty on those councils to produce a balanced budget; we have intelligence from our local representatives who work with local authorities—our local leaders in those areas—and we have other Departments and the inspection regimes of Ofsted and others. All of those come together as a range of different sources of information about how local authorities are doing.

Q62 John Stevenson: Do you think they are robust?

Sir Bob Kerslake: I think they are a pretty good way of assessing how local authorities are doing, yes.

Q63 John Stevenson: Do you think the Department therefore knows precisely what is going on in local government?

Sir Bob Kerslake: We have a very good idea of what is going on in individual authorities. More to the point, we have very good intelligence about individual authorities getting into difficulty. We have

both; we have information about local government as a whole and we have information about authorities running into difficulties.

Q64 John Stevenson: You therefore think the report has got it wrong.

Sir Bob Kerlake: My view is that the National Audit Office seemed to be looking for some sort of all-singing, all-dancing process of tracking individually authorities exactly as to where they were on individual services. The whole regime that we have created is a devolved one where we have sought to reduce the burdens on local government of reporting and to look to local authorities to take responsibility.

Q65 John Stevenson: Can I just take you up on that point? Do you consider yourself, as the Permanent Secretary, ultimately responsible for the financial sustainability of local authorities?

Sir Bob Kerlake: It is my responsibility to ensure that we have a sustainable system for local government, that we understand—

Q66 John Stevenson: So, if it is not sustainable, you would agree you have failed in your duties.

Sir Bob Kerlake: It is perfectly right to say that we must ensure that when we make decisions about local government, we are doing it in a way that they can be sustainable.

Q67 John Stevenson: Can I just pick you up on that very point? If it is not sustainable, you would agree that therefore, as Permanent Secretary, you have failed.

Sir Bob Kerlake: The trouble is you are putting words into my mouth. What I am trying to say to you is we do have a responsibility for the overall robustness and the sustainability of the system. What I cannot say to you is—

Q68 John Stevenson: Do you take responsibility, then?

Sir Bob Kerlake: I take responsibility for ensuring we have a sustainable system.

Q69 John Stevenson: That is fine. You take a responsibility as Permanent Secretary for the financial sustainability of local government. According to local auditors, 16% of single-tier and county councils will have trouble delivering their 2014-15 budgets and over half are not well

placed to deliver their medium-term financial strategies. Should we not be very concerned about that?

Sir Bob Kerlake: I would make three points here. First of all, I would say that, when push comes to shove, local authorities have set balanced budgets. They have performed extraordinarily well and have been an example to much of the rest of the public sector in their delivery of efficiencies. That is my first point. The proof of the pudding is in the eating, and they have delivered balanced budgets. I am pretty confident that all local authorities will deliver balanced budgets for 2015-16 as well.

Q70 John Stevenson: Including 2015-16.

Sir Bob Kerlake: I think so, yes. From what I know now, the vast bulk of, if not all, local authorities—it will probably be all local authorities—will produce a balanced budget in the way they need to. That is my first point. My second point is to say that if you look at it, local authorities have across the piece managed to raise the level of their both earmarked and un-earmarked reserves over time, so they have increased their level of financial robustness in some aspects of what they do. The third point I would make is that if we look at the public feedback, from the LGA's survey here we see that 70% of the public are satisfied with the services they receive from local government. I am not suggesting that this is easy or has been straightforward for local government. Quite the opposite; it has been a tough time for them in terms of delivering savings. What I would say is that they have delivered that job well. Taken in the round, they have increased the level of their reserves and they have managed to set balanced budgets, and I think they will do so again in 2015-16.

Q71 John Stevenson: Going forward, the report clearly has a different view from yours as to the sustainability of local government, but do you think local government is heading for a financial unsustainability crisis in the next Parliament, going to 2015-16 and beyond?

Sir Bob Kerlake: There are two points I would make on that. On the question of the numbers you quoted, what is interesting is if you go back a couple of years and look at the numbers for the short-term confidence and the medium-term confidence of local authorities, there was a very similar relationship. They were lower, but they had the same pattern. That is not surprising; the medium-term confidence is likely to be lower because you cannot quite see all the factors that will help you balance your budget. I have done that job, so I know exactly the phenomenon. We have got to be a little bit careful about that figure of 52% in the medium term. The question of how viable this is into the next Parliament depends on a number of things. It clearly

depends on the decisions of the new Government in relation to public spending and in relation to council tax, for example. These are things I cannot predict at this stage. The only thing we know is—

Q72 John Stevenson: Can I just interrupt there? You have had real opportunity to give some wise counsel to a future Secretary of State and to a future Government about the direction of travel for the budgets, etc, for local government and what they should and should not do, so I would ask you directly: in the present environment, are they sustainable or do we need reform?

Sir Bob Kerlake: I have the opportunity to give wise counsel, but quite a lot of that is done in private and not in public, I might say. Let me just deal with the things I can say in public.

Q73 John Stevenson: But you are accountable to Parliament. Should you not be giving maybe Parliament advice too?

Sir Bob Kerlake: I am accountable to Parliament, and I am giving you advice now, as you have sought. The first point I would make is, as I have said, we do not know what the judgments will be on local government spending in the next Parliament. You cannot answer that question until you know that point. The second thing I would say is we have strengthened our understanding of the analysis of spend but we need to go further. The NAO quite rightly said we had improved it in 2013 from 2010 but we need to go further on that. We have got to strengthen our analysis, and we can do that with local government without increasing the burdens. The third and crucial point is our ability to deliver further savings in local government crucially depends on the work we are doing around service transformation and the reconfiguring of services and achieving greater efficiencies. Until you know the answers to those three key questions it is very hard to form a judgment about the next Parliament.

Q74 John Stevenson: So you have no real advice going forward.

Sir Bob Kerlake: My advice to a future Government is, first of all, they have got to make their own judgments about priorities in Government spend; secondly, we need to carry on strengthening our information; and, thirdly, we have got to focus on the work on transformation that has already been started.

Q75 John Pugh: I have got to admit, Sir Bob, you are a class act. On one side there is the NAO, the local auditors, the LGA and CIPFA all saying something quite markedly different from you, and you are sitting

here with a straight face countermanding them all, with supreme confidence that you can see out this session without being caught out. Can I just ask you about the NAO? You have got problems with the NAO, because the NAO report on financial sustainability is not backing up your story, nor is the NAO report on the Better Care Fund. NAO reports do not spring out of nowhere. They are discussed with the Department, are they not? Do you have any factual disagreements about the NAO reports? Did you ask them to make any changes that they did not want to make?

Sir Bob Kerlake: Which report are you talking about?

John Pugh: Let us talk about the financial sustainability one first.

Sir Bob Kerlake: We signed off that report.

John Pugh: You signed off that report.

Sir Bob Kerlake: On the factual information in the report, yes. We are not arguing with that.

Q76 John Pugh: So you agree with the factual information but you think they have drawn the wrong inference.

Sir Bob Kerlake: On some aspects of that report, yes.

Q77 John Pugh: Why do you think they have drawn the wrong inference? They are shrewd, clever people, are they not?

Sir Bob Kerlake: They are, but there are plenty of shrewd and clever people who form different judgments on issues. We only need to look at Parliament on that point. The point I would make here is that they have a view about how you ensure the financial sustainability of a local authority, or how you understand it—that is a better word. We have a different view about how best to do that. I would say the proof of the pudding is in the eating. We have not seen councils go bust. We have seen councils sustain themselves. I do not think there is a huge difference of view about the challenge ahead for local government. I am not in any way diminishing the scale of that challenge; I am just saying you cannot form a definitive view about sustainability until you know what the quantum of spend and the capacity to deliver efficiencies is going to be. That is the point I am making.

John Pugh: Okay. Let us leave on one side the NAO, the local auditors, the LGA, CIPFA and all those sort of people for the moment.

Sir Bob Kerlake: Just for the record, Mr Pugh, I have a high regard for the NAO and, indeed, for Amyas Morse and the work he has done.

Q78 John Pugh: Right. But all these people you have got a high regard for are clearly people who draw the wrong conclusions quite persistently.

Sir Bob Kerlake: No. On a lot of reports we have been in complete agreement with them.

Q79 John Pugh: One of the reasons why you think local authorities might be in ruder health than they imagine themselves to be and their directors of finance imagine them to be is the phenomenon that you have recorded and brought up on a number of occasions, which is that their reserves have gone up, including their non-earmarked reserves, which presumably are disposable reserves. Can you tell me why you think they have gone up—if you know why they have gone up? Secondly, has the Department made any study of how authorities have used these? If some authorities have used them well and been able to defray cuts in services, that would be useful information to disseminate, would it not? Do you know why they have gone up?

Sir Bob Kerlake: It will vary enormously between councils. Clearly, one of the responsibilities of a director of finance and, indeed, of the members of the council is to ensure that they are using their financial reserves to the maximum efficiency. There is a responsibility there.

Q80 John Pugh: Reserves do not just appear from nowhere, do they?

Sir Bob Kerlake: No. The question you are asking is about the reasons why they do it. The first thing I would pick out is, clearly, this is a more uncertain world. They are facing more unknowns and therefore it is understandable that they will look to ensure that they have a prudent level of balances accordingly.

Q81 John Pugh: No. The Secretary of State is quite clear. Often in debates in Parliament he gets told about some cuts being made by authorities, reductions in their overall grants and so on, and the response is often to name the local authority and specify its level not of balances but of reserves—earmarked and non-earmarked—and clearly that looks often quite a plausible response. What I am trying to explore with you is why, in times of financial stringency, these reserves are apparently growing.

Sir Bob Kerlake: That is the point I was trying to answer, if I could.

John Pugh: Sorry, but you mentioned balances.

Sir Bob Kerlake: I beg your pardon; I slipped into balances, which was unfortunate. I was trying to say that there are a number of perfectly plausible reasons why local authorities hold reserves at this point. They may be holding them because they have a major restructuring and have redundancy costs. They may be holding them because the world is more uncertain and they have made some ambitious assumptions about savings that they are not yet as sure as they might be about delivery of. There are perfectly good reasons. It is also reasonable to be transparent about that and to challenge whether the reserve levels are right. Both the things are correct. But you asked me for what legitimate reasons they might be holding higher reserves, and I have given you a couple of them. I do not know if Helen wanted to add any others.

Helen Edwards: You asked where councils were using their reserves. I can think of several that are using reserves, as Bob said, to fund transformation work. They think if they do spend money now, they can see a way of running their local authority more efficiently. Some are doing that.

Q82 John Pugh: I was just suggesting that there is a useful piece of work the Department could do to explain to those councils who feel they cannot touch their reserves how they can use their reserves.

Helen Edwards: Yes, I think you are right.

Sir Bob Kerlake: Yes, and give the confidence to councillors to ask the question when it is proposed by their officers.

Q83 John Pugh: Can we go to the Better Care Fund? We have to admit this is not proving currently to be the success it was intended to be initially. The Local Government Association says that changing the goalposts on the Better Care Fund has left them with little time to produce the kinds of schemes that people wanted them to produce. A lot of the schemes have not been endorsed and have been sent back to be done again, have they not? What do you think that is due to?

Sir Bob Kerlake: Let me say a few words first and then I will ask Helen to come in, because she has been leading on the work. I simply do not agree with that view. The creation of the Better Care Fund was a transformational step in its own right that allowed the agenda around integration—which is now an agenda being pursued by all political parties—to move forward in a way that it had not previously happened. I have personally gone round and talked to quite a few local authorities and their healthcare partnerships and you can see the way in which very exciting and innovative things have been developed through those partnerships. There is a lot to be proud about there.

The second point I would make is this does not start until April 2015 and it is on track to deliver for April 2015. There has been no change in the date on which the programme starts.

Q84 John Pugh: So the failure to set out the £1 billion saving target has made no difference to the evolution of the programme.

Sir Bob Kerslake: No. What it did do was it lost some time, but because we had started early we were able nevertheless to keep with the timetable. That was a benefit of starting the process early. What I would say, though, is the real issue that led us to go back and revisit the plans was not just this question of how the £1 billion performance reward fund worked; it was also about the fact that whilst the plans showed some really good innovation and ideas there was further work needed to be confident about the numbers that were in those plans. That is why we went back and said, "Could you revisit those numbers and look again at the figures?" That did take some time. I think it was the right thing to do, and 97% of those plans were effectively improved when we did the exercise and announced it in October. Helen, do you want to say a bit more about this, because it has been your area?

Helen Edwards: Yes. People have been working on their plans. We did ask them, as Bob says, to give us more assurance, but it is still the case that most of the activities in the plans are the same. People have been providing us with more information.

Q85 John Pugh: But they have had to revise their plans in most cases, have they not?

Helen Edwards: But the activities that they were planning to do have remained largely the same. They have given us more assurance about the impact those activities will have. Also, the acute providers were not sufficiently involved right at the beginning, so there has been quite a bit of work to do to make sure that all the partners are on board. Interestingly, I was out an intermediate care unit in north-west London on Friday last week and the person there had been leading the work on the Better Care Fund. I asked her how much extra work it had been and whether it had been a real nuisance. She said, "There has been a lot of extra work, but the partnership is a lot stronger as a result because we have really had to put together a robust plan". As Bob says, the plans are not due to start until April of this year. We are confident that all plans will be fully approved—in fact, they virtually are now; we have just got one where the dialogue is continuing. We are happy with all except one.

Q86 John Pugh: Normally when central Government tries to get local government to do something particularly innovative and exciting, it does it against a background of pump-priming, does it not? That is the expression. “We need to give people money in the first stages to get things to work properly.” Can you think of another instance of a major scheme like this—a major reorganisation of how things are done—that was introduced against a bottom line of £1 billion savings or anything like that?

Sir Bob Kerslake: It is worth being clear that the figure was not a £1 billion saving; it was a performance reward fund of £1 billion. The guideline saving was a lower sum than that. It was about £300 million. It was not a £1 billion required saving. What was then said was, to the extent that savings were not achieved, more of the funding would be commissioned through the NHS, but it would all be approved through the health and wellbeing boards and it would be for out-of-hospital services. It has not been the case that you do not get your money unless you have achieved a cash saving of £1 billion. That is not the way it has worked. If you talk to local authorities and their partners, exactly as Helen says, the bulk of them will say, “We are doing broadly the same sorts of activities as we planned originally, and the challenge that we had, whilst it was a bit frustrating to start with, has given us better plans and better partnerships”.

Helen Edwards: If I can just add one thing, there was additional money put into social care and transferred to local authorities this year. There was an additional £200 million that went in, which was meant to help people prepare for the introduction of the Better Care Fund.

Q87 Chair: Just to clarify, though, given the NAO’s report said that NHS England and the Department of Health had a shared planning assumption that the fund will deliver £1 billion of saving, was that assumption shared with CLG and did you agree it as well?

Sir Bob Kerslake: We have been very clear that the formal documentation that came out of the spending review did not include a requirement or an assumption of a £1 billion saving.

Chair: So the Department of Health were assuming one thing and not sharing their assumption with you.

Sir Bob Kerslake: The Department of Health had a planning assumption at the early stages that they might save £1 billion, but it did not form part of the agreed decision conveyed by Treasury. It is really important to be clear on that.

Q88 Simon Danczuk: Sir Bob, how useful was it having Mary Portas advise Ministers on town centres?

Sir Bob Kerlake: She did a very interesting and creative piece of work on town centres. She brought genuine expertise in this area. She produced a report with recommendations, of which all bar one were taken on board by Ministers. We created the 27 Portas pilots and most of those have now progressed quite substantially. It was a useful piece of work. Most importantly, it challenged central and local government about the role it could play in revitalising the town centres.

Q89 Simon Danczuk: So you think it was useful.

Sir Bob Kerlake: There was some useful work done through Mary Portas, yes.

Q90 Simon Danczuk: Useful? Very useful?

Sir Bob Kerlake: I would say it has been a very useful piece of work.

Q91 Simon Danczuk: Why does Mary Portas not think her help was useful?

Sir Bob Kerlake: She has clearly been frustrated at the progress. If I was somebody who had done a report like that that, I would be wanting it to move faster if it could, but, taken in the round, she has also said some very positive things about the work that is being done through—

Simon Danczuk: Can I read you some of the—

Sir Bob Kerlake: I have got a few quotes as well, so we can trade quotes.

Q92 Simon Danczuk: I am going to give you my quotes, Bob. She said Government's response to her proposals was "tepid". She said dealing with you lot had "exhausted" her. She said, "The Government has made token gestures in response to my review". She does not think her work has been useful at all, does she? Why do you think she does not think it is useful?

Sir Bob Kerlake: I said earlier that inevitably she thinks it is something that should go faster, but she also said: "In 2011 I said that the worst thing that could happen to my review was for it to be left languishing in a filing cabinet, in some dusty corner, in a Civil Service building. I think it is safe to say that did not happen." That is what she said.

Q93 Simon Danczuk: In 2011.

Sir Bob Kerlake: No. She said "in 2011". She said that in December 2014. I can give you a few more quotes if you want.

Q94 Simon Danczuk: What are you suggesting? That she is talking in two different ways?

Sir Bob Kerlake: No. Anybody who is passionate about their subject is ambitious to do more and ambitious for Government to move faster, and inevitably that comes through in what they say. Taken in the round, the Government has adopted, as I said, all bar one of her recommendations; the 27 Portas pilots are up and running; the town teams have been up and running; and we have had the Great British High Street awards. A huge amount has happened since the Portas report.

Q95 Simon Danczuk: Just to move it on a little bit, in December she said, "The Government has made token gestures in response to my review". After some time has passed, she decides in December—that is not long ago—that the Government has made token gestures to her review. How did the Department's relationship with Ms Portas go so badly wrong, Sir Bob?

Sir Bob Kerlake: We worked very hard to deliver what she said.

Q96 Simon Danczuk: But why did the relationship go so badly wrong?

Sir Bob Kerlake: I cannot describe relationships between individuals like Mary Portas and the Department.

Q97 Simon Danczuk: Why can you not do that?

Sir Bob Kerlake: Because I do not think it is terribly helpful. What I can do is to say she produced a report and we took on board the recommendations.

Q98 Simon Danczuk: I think it is very important. How would you describe your relationship with Mary Portas?

Sir Bob Kerlake: I have not got a relationship with Mary Portas. She has dealt predominantly with Ministers on these issues.

Q99 Simon Danczuk: Would it not have been helpful for you to deal with her?

Sir Bob Kerlake: I cannot deal with every issue and every bit of the Department. As it happens, her direct relationships on this issue have been with Ministers.

Q100 Simon Danczuk: With hindsight, would you advise Ministers against using a celebrity to front this sort of campaign or policy in future?

Sir Bob Kerlake: When Government wants to kick-start a new programme of activity, you take the rough with the smooth. If you bring in people who have passion, commitment and energy to make things happen, they will on occasions turn on you and bite you about what you have done. Sometimes the result of that is still worth doing.

Q101 Simon Danczuk: Mary Portas has bitten Ministers.

Sir Bob Kerlake: I am not—

Simon Danczuk: That is what you have said.

Sir Bob Kerlake: I will leave that hanging in the air, Chair.

Q102 Simon Danczuk: Let me just move on to a slightly different, but related, issue. When he appeared before us last year, Brandon Lewis, the Minister, had no idea about what proportion of retail development took place out of town. I remember asking him the question. Surely it is the job of the Civil Service to provide Ministers with the data they need to make important policy decisions.

Sir Bob Kerlake: Yes, of course it is our job to give them advice on issues. I cannot reasonably expect all officials or all Ministers to—

Q103 Simon Danczuk: Not advice; data. Do not change the question. Why do you not have data on what is being built out of town?

Sir Bob Kerlake: We have good data about what development has happened out of town. I think you said he could not answer the question in the meeting. Is that right?

Q104 Simon Danczuk: No. It is quite clear. Perhaps you can answer the question. The Association of Convenience Stores published some data showing that since the NPPF a greater proportion of out-of-town retail had been built than in-town retail. The Minister took issue with that research but could not provide any alternative research that

proved otherwise, so we have to assume, unless you have some, that the ACS is correct.

Sir Bob Kerlake: I do not have any additional research. I would have to go back and check that particular exchange, Mr Danczuk. What I can say is a key part of the thinking on high streets is that we need to see them as having roles that are not simply about their retail offer.

Q105 Simon Danczuk: Yes, but that is a different question. You do not know whether you have data that shows whether out-of-town shopping centres are being built or not.

Sir Bob Kerlake: I did not say we did not have data about town centres being built. I am saying I have not personally come prepared to answer a question on that particular data.

Q106 Simon Danczuk: But you do have the data.

Sir Bob Kerlake: We have data on what development has happened in different parts of the country. I do not know whether the data gives a different result on the issue you have raised. I would need to check that.

Simon Danczuk: But you will come back to the Committee and let us know.

Sir Bob Kerlake: I will come back to the Committee on this issue.

Chair: We certainly have been told that you do not have data.

Sir Bob Kerlake: I will go back. I am not in a position to answer that question.

Q107 Mark Pawsey: I wonder whether I might move to look forward rather than back. I wonder whether, therefore, my questions might be more appropriate to Helen Edwards. One of the most welcome announcements the Government has made recently as far as the business community is concerned was the announcement in the December 2014 Autumn Statement that the Government would be carrying out a review of the future structure of business rates. Business rates is a responsibility of CLG, so can we take it that your Department will be running this review?

Helen Edwards: The review will be run by the Treasury. That is because they are looking at business rates in the context of wider taxation. We will be making a major input to the review, but the

Treasury will be leading it. They have said that the aim is to report before Budget 2016.

Q108 Mark Pawsey: Treasury are going to do it, even though the responsibility for collecting it rests with local authorities.

Helen Edwards: Treasury will be leading it because of the wider taxation context, but we will be contributing to it very substantially.

Q109 Mark Pawsey: How are you going to ensure that the views of the Department are not side-lined by this very powerful Department called the Treasury?

Helen Edwards: We work very closely with the Treasury. We are fairly robust with the Treasury. We do our utmost to make sure that our views are not side-lined, and I am sure our Ministers will be very clear about that. They have already been clear that this is a very important review and we will play a major part in it.

Q110 Mark Pawsey: May I ask what sort of resource CLG will put into it? This is, as I have explained, very important for the business community; it is very important that we get it right. Have you got the team available that will be able to give this work its due priority?

Helen Edwards: We already have a team of people who focus on business rates. They have been responsible for the admin review and the second phase of that will run alongside the Treasury review. Once the terms of reference are published we will look again and make sure we have sufficient resource, because we do recognise the importance of it.

Q111 Mark Pawsey: I just want to ask what evidence you will use in preparing your views to what we understand now is going to be a joint review. The National Audit Office has criticised the Department for failing to forecast the impact of programmes. It has drawn attention to that in terms of Help to Buy, the New Homes Bonus and the Mortgage Rescue Scheme. Again given the huge importance of this review, how can businesses be confident that you will use the right evidence in forming a view about how the system should be reformed?

Helen Edwards: We will be very interested to hear the views of business, and I am confident that there will be a lot of engagement during the process of the review. We have a lot of data and we do a lot of modelling in-house, but it will be important that we work with Treasury to get it right. As I say, we have not seen the terms of reference yet, but once we do have those we will have a clearer idea both of the scope of the review and of how it is going to run.

Q112 Mark Pawsey: If the review is not popular and is not welcomed by business, will it be the view of CLG that you will just say, “The Treasury led and it is down to them”?

Helen Edwards: No, because, as I have said, Treasury may be in the lead but we see ourselves as being very substantial contributors to it, and Treasury would agree with that.

Q113 Bob Blackman: Turning to the European Regional Development Fund, Sir Bob, can you just confirm what the position is in terms of the agreement with the European Union about drawing the money down? Has there been any interruption in spending the money for the benefit of the different parts of the United Kingdom?

Sir Bob Kerlake: Are you talking about the 2007-13 programme?

Bob Blackman: Yes.

Sir Bob Kerlake: As we sit here now we have no interruptions—there have previously been, as you know—but we have been able to draw down the money. The 2007-13 programme is fully committed. In terms of the so-called “N plus two” annual spend targets, nine out of the 10 spend areas delivered that and only one missed it—a small area—by a small margin. The error rates have been below 3%, lower than the average across Europe. Taken in the round, the programme is performing well and we are both delivering the spend and keeping the error rate in the right place.

Q114 Bob Blackman: Is the operational programme for England agreed with the European Union now?

Sir Bob Kerlake: If you are talking about the next programme, the 2014-20 programme—

Bob Blackman: The next phase, yes.

Sir Bob Kerlake: We are in the final stages of negotiation with the Commission on that, so we would hope to agree it fairly soon. We are aiming to see the so-called call for projects that is part of the European programme happen in March.

Q115 Bob Blackman: There appears to have been an issue about the role of LEPs and the European Union. Is that resolved? It is the Government’s way of delivering part of this programme.

Sir Bob Kerlake: We have made very good progress on that, Mr Blackman. The negotiations on that with the Commission have gone

positively, and they have recognised the change in the landscape. We have moved from nine regional areas to the 39 LEPs. It is a different model in this country perhaps than other parts of Europe. I think that is understood now and we are making good progress in those negotiations.

Q116 Bob Blackman: One of the concerns that will be raised is that the LEPs that are delivering the money are deciding, “We are going to give money to private businesses” and the same private businesses are sitting on the LEPs. Is there not a conflict of interest here? Has that not been brought out in the negotiations?

Sir Bob Kerlake: It is important to say that under the proposals the formal approval of projects will be through a unified process that is established across the country as a single programme. LEPs will not be formally approving the individual projects; they will go through the newly-established process, which is administered by the Department. In any event, LEPs have to have clear rules around conflicts of interest. If there was an issue about whether the LEP supported a project—that is their role; it is whether they support the project or not rather than formally approve it—you would expect under their own rules, very similar to local authorities, a private business would declare an interest and not take part in that decision.

Q117 Bob Blackman: Are you clear that that is happening on the ground?

Sir Bob Kerlake: I cannot say I have personally gone round and tested it with individual LEPs, but I—

Bob Blackman: No, but you will get reports about what is going on.

Sir Bob Kerlake: From what we know from our colleagues who work with LEPs, I think they do take a high level of account of these issues of conflict of interest, yes.

Q118 Chair: You used the words “making good progress”. We take that to mean that the 2014 programme and the mechanisms for delivering it—now we are in 2015—still has not been agreed.

Sir Bob Kerlake: No. We were always clear that although we got the programme in on time—we submitted it on time—like a large number of programmes across Europe it was going to be quite challenging to get it agreed by Christmas, particularly given its complexity and the new features of it, as I talked about earlier. We

were always anticipating that it would be likely to be into the early part of this year before we agreed the operational programme. The key thing for the individual LEPs and other partners is that the call for projects starts soon. If that starts in March, which is our current plan, that is good progress.

Q119 Chair: But every project ultimately has to be second-guessed and approved by the Department.

Sir Bob Kerlake: Every project has to go through the programme process that we have agreed, with one caveat, which is that there is an agreed discretion of 10% for the Core Cities on their funding as part of the overall package.

Q120 David Heyes: It is definitely Boycott so far, isn't it, Sir Bob?

Sir Bob Kerlake: Hopefully the good game that the Chair talked about.

Q121 David Heyes: I will do you a nice easy under-arm one. Let us see if we can liven things up a bit. It is about housing. Why has the private rented sector guarantee taken so long to get off the ground?

Sir Bob Kerlake: It has taken longer than we anticipated there, and the principal reason was that when we initially sought a body to do that role on our behalf we were not successful. I am pleased to say that we have now identified and signed up to a contract with a company called Venn Partners, who will be leading that work for us in the so-called aggregator role—bringing together different people who are seeking to use the guarantee process. It is worth saying to sit alongside that that the affordable housing guarantee scheme, where we did identify a partner, has moved ahead very successfully. We are now at a point where we are close to 10,000 houses being agreed as part of the guarantee scheme.

Q122 David Heyes: That is still well under-bid, is it not? 63% of the programme was bid for in the first round. Is that not the case?

Sir Bob Kerlake: Sorry?

David Heyes: You mentioned the Affordable Homes Programme.

Sir Bob Kerlake: No, I was talking about the guarantee programme. You asked about guarantees.

David Heyes: I did, yes, but you mentioned affordable housing as part of your answer.

Sir Bob Kerlake: The reason I am mentioning affordable housing here is that I am contrasting the PRS scheme, where we did not secure a partner on the bidding process in the first round and that has taken us longer, with the affordable housing element of the guarantee scheme, where we did secure a partner. Having secured a partner, we then made very good progress and we now have somewhere near 10,000 homes being constructed where the guarantee scheme is being used. The borrowing rates for those housing associations are some of the lowest we have seen.

Q123 David Heyes: Let us stick with PRS, then. When can we expect the first guarantees to be issued?

Sir Bob Kerlake: I do not want to speculate on a date on that. The company has been signed up.

Q124 David Heyes: It is two and a half years since the programme was first announced.

Sir Bob Kerlake: It would be very tempting to give you a date on that, but we have got the new company going; they are going at it with some enthusiasm and energy, but it has taken longer. Therefore, for me to speculate on a date for the first agreement is not very helpful.

Q125 David Heyes: So you have no idea of when the first homes under the scheme will be—

Sir Bob Kerlake: We would expect to see some in the current year, but I do not want to give you an exact date.

Q126 David Heyes: The current calendar year or financial year?

Sir Bob Kerlake: I would expect to see some progress in the current calendar year, but, as I say, it would be pointless my giving you a date on that until the new organisation has got its feet under the table and got going.

Q127 David Heyes: You know enough to predict some progress in this calendar year. How much?

Sir Bob Kerlake: If I take the parallel of the affordable housing guarantee, we moved very fast on that, but we should just wait and see how they get going.

Q128 David Heyes: On affordable housing, only 63% of the programme funding was bid for in the first round. With such a low level of interest in it, something is putting providers off bidding, isn't it?

Sir Bob Kerlake: On the Affordable Homes Programme, we have delivered something like 217,000 since 2010. We will deliver the 170,000 homes under the current programme up to 2015. The programme from 2015 up to 2020 is 275,000 homes. You will know as well that alongside that bidding round we also have a process of what we call continuous market engagement, so bids can come in over the year; they do not have to come in through the bidding rounds. All the evidence suggests that there is an appetite to take up the affordable housing funding, and all the evidence suggests that we have delivered in the way we said we would.

Q129 David Heyes: By when?

Sir Bob Kerlake: We will deliver the programme of 170,000 homes by 2015, which was the agreed date, and I am very confident that we can and should be able to deliver the 275,000 in the next Parliament.

Q130 David Heyes: One of the themes that has come out in our questioning so far is the lack of firm evidence for the decisions that you take. You are really short of knowing what is going on out there as a result of the decisions you take. We could refer, perhaps, to the English housing survey. You are consulting at the moment and there is a suggestion in there that you may abandon this year's survey or possibly move to a system of biennial returns—a further example of moving away from firm data. How can you base your decisions about vital areas of work like this when there is a risk of having no information to base your decisions on?

Sir Bob Kerlake: I would take issue with your point about firm evidence. What I gave you was firm data about what we have delivered on the Affordable Homes Programme and what we expect to deliver on it. The question you are raising is about specific survey work. In the world of quite severe austerity we have had to look at the options for how we can achieve savings, and one of the options that is being explored is the frequency with which we do the housing survey, as you said. That is out for consultation; a decision will be made in due course on that.

Q131 David Heyes: We are not just living in hard times; there is a major housing supply crisis and you are seriously considering abandoning the data that you need to make decisions on how you are going to deal with that.

Sir Bob Kerlake: No. We are not abandoning the data. As you know, the option is whether or not you carry out the survey annually or every two years. That is the issue that has been raised. Those data do not go to the point about the number of houses built. All the data on the numbers of houses built and the impact of policies of the Government are well understood and we have done a number of substantial evaluations of our data based on that.

Q132 David Heyes: That was the end of the seventh over, Sir Bob, and no runs yet. Let us see if the eighth can do better.

Sir Bob Kerlake: I am still at the crease, Chair.

Q133 Bob Blackman: Sir Bob, looking at arm's-length organisations, starting with the Local Government Ombudsman, it is supposed to be independent, yet the external review suggests that it is terribly bureaucratic. It appears that they have got to come along cap in hand to you if they want to increase their staffing. That does not sound very independent to me.

Sir Bob Kerlake: Their judgments on issues of maladministration are independent and they should be, but clearly they are a funded body by the Department and we therefore need to exercise our sponsorship role with them. We try to give as much flexibility as we can to arm's-length bodies, but given—

Q134 Bob Blackman: How much control do you impose over the numbers of people they employ and how they use their money? I accept that they are funded, in the same way as local authorities are funded, but you do not seek to suddenly go in and control every single function.

Sir Bob Kerlake: They are different from local authorities in that the Ombudsman is an arm's-length body; it has a different relationship with the Department. We seek to give them discretion to run their affairs as best they can, but we are subject to tight controls on recruitment as a Department, given the pressures on budgets, and we look to have proper arrangements in place for our arm's-length bodies as well. Local authorities are in a different position in terms of the discretion they have. I do not know if Helen wants to add anything on this.

Helen Edwards: There is an expectation on all of our arm's-length bodies that they will run as efficiently as they can. The Ombudsman has made some really good improvements in terms of how they organise their affairs. As Bob says, the issue of impartiality is to do with the professional judgments they make, but, like every other bit of the public sector, they are expected to make efficiencies. We do not

tell them how to do that—we liaise with them—but we do encourage them to put in place plans that will deliver those.

Q135 Bob Blackman: Just to be clear, then, they get a devolved budget and it is up to them how they spend it.

Sir Bob Kerlake: Like all arm's-length bodies, they work to a funding framework, and we have a single sponsorship unit that oversees that, so they are not completely *carte blanche* about how they spend their funding. What we try to do is give them enough flexibility to run their affairs in the most effective way. That is what we seek to do.

Bob Blackman: Sorry, I interrupted you, Helen.

Helen Edwards: No; I have got a really bad cold. I apologise; I am struggling a bit.

Sir Bob Kerlake: That is why I thought I had better jump in there.

Q136 Bob Blackman: The Local Government Ombudsman has moved into Marsham Street; Simon Ridley has gone off as the Chief Executive of the Planning Inspectorate; you have got the top lawyer from DCLG now going off to the Housing Ombudsman. It seems to us as if what you are doing is spreading your tentacles: putting your high fliers into all these arm's-length bodies to control them. How can you tell us that is not the case?

Sir Bob Kerlake: It absolutely is not the case. Simon is a very able, as you say, high flier. The national planning agency, PINS, is effectively an arm's-length body within the Department and this was a very good opportunity for him to take on a new managerial role. Once he takes on that role, he takes on the responsibilities and he operates as an executive agency, in the same way as previous people have. I do not think there is any intention about tentacles. The other one you referred to was simply a recruitment process; it was somebody going into a job filled through an open process.

Q137 Bob Blackman: It must be suspicious that all these people coming out of the Department are going to these arm's-length bodies and they just happen to be part of the DCLG empire.

Sir Bob Kerlake: Helen wants to come in on this, but I do not think there is any suspicion here at all. For Simon it was a natural career move to widen his managerial experience. It could well have been somebody from outside, but it worked well for Simon to do that.

We did do an open recruitment on that job and failed to find the right person for the job. In the case of the other one whose case you cited, it was an open recruitment process that I do not think involved us at all, Helen, did it?

Helen Edwards: No, it did not.

Q138 Bob Blackman: So the Department has no influence over these appointments whatsoever.

Sir Bob Kerlake: It does have influence on the PINS one, but not on the second one you raised, which was the lawyer.

Helen Edwards: Yes. Certainly in terms of the PINS one, as Sir Bob said, we see it as an opportunity for our staff to develop—that they get closer to delivering something and being responsible for an organisation. It can be too easy for some of our high fliers to spend all of their career in Whitehall doing policy jobs, which does not give them a very rounded view of the world. We encouraged Simon to think about it not because we wanted to control PINS, I assure you, but because we thought developmentally it would be very good for him and we thought he would be a very good candidate for the role.

Q139 Bob Blackman: Moving on, then, to the progression that may happen, are you saying to people, “It will be good for your career to go off and work for an arm’s-length body and then come back”—not necessarily to DCLG, but it could be somewhere else in the Civil Service?

Sir Bob Kerlake: Absolutely. We do want people to go out—we want people to go out sometimes to the private sector—and develop new skills and come back. It is good for the Department that people develop their skills outwith the jobs they currently do. That is good for us as a Department. “Yes” is the short answer to that. There is nothing sinister at all in it, I can assure you.

Helen Edwards: Simon used to work to me when he was in the Department, and I can tell you he is a very independently minded person. He will have no difficulty in pushing back on the Department if we did try to do something that was not right—not that we intend to, but he is very capable of handling anything like that.

Q140 John Pugh: Sir Bob, can I ask you about the mid-year review, which is mandatory bedtime reading for all members of the Committee? A lot of unkind remarks have been made about it. Not by us—we are biased in one way or another—but the House of Commons Scrutiny Unit has made a number of different accusations. They have

called the report “weak”. They have said, “There are no uses of graphs ... to aid the reader in understanding the data being provided”. They have said, “There are pages of tables which add very little value...” They say, “The updates ... on numerous topics are simply listing announcements ... and don’t actually show what progress is being made”. They say, “There is no discussion of what challenges DCLG have faced so far”. And they compare it unfavourably with similar reports produced by other Departments. Can I put it to you, Sir Bob, that if you were a young, thrusting, up-and-coming civil servant, you would have never let this report out?

Sir Bob Kerlake: You slightly imply that this is not the most avidly sought-out document in Parliament.

Q141 John Pugh: What I am saying is that it is probably true of a man who is a little bit demob happy.

Sir Bob Kerlake: No, I do not think so. We thought we had done a fair job. We have been challenged on it.

Q142 John Pugh: The Scrutiny Unit do not.

Sir Bob Kerlake: I accept they raised questions and queries about it. For us, it is a document where we sought not to write a big, long treatise but to set out the numbers as clearly and as factually as we can and to keep the amount of text to the minimum level that is required. There is nothing here about being demob happy. We have followed in this report a similar approach as we have with previous reports.

Q143 John Pugh: Yes, but here we have now another independent body with no axe to grind, like the NAO, CIPFA and all the other organisations we have mentioned, delivering a verdict, and instead of recognising it is a poor report, which would be the honest and reasonable thing to do, you are saying it is not.

Sir Bob Kerlake: No. You suggested we—or I—had done this report with a particular motivation.

John Pugh: Oh, no.

Sir Bob Kerlake: That is simply not the case. If other people have criticised it, we will take on board their criticism and take it very seriously, and we will work to improve the report.

Q144 John Pugh: Good. That would be helpful. In terms of the detail of the report, staff costs have risen, apparently, from £48,000 per

person to £88,000 per person, which is a phenomenal change, really. Have you got too many chiefs and not enough Indians now?

Sir Bob Kerlake: Is this the contingent labour issue?

John Pugh: Yes.

Sir Bob Kerlake: It is worth saying that contingent labour has dropped by something like 60% since 2010. We have seen a pretty substantial fall in it in the first place. The second thing is that we have had particular needs to draw in additional people to do things like the financial transactions and some of the work on the European programme. They have been a product of a particular need at a particular time.

Q145 John Pugh: So there are qualitatively different people you are requiring now.

Sir Bob Kerlake: Particularly in relation to the work that has been going on on financial instruments and financial transactions, both in the Department and in the HCA, which has done its own as well.

Helen Edwards: It is probably worth mentioning we did bring in on secondment a number of people from the banks who had got particular expertise we needed in credit control and various other things.

John Pugh: That would explain it.

Helen Edwards: We are not paying them bank rates, but they do cost more than our other staff.

Sir Bob Kerlake: Yes. We negotiated substantially better rates with them, but we could not do without that expertise in order to run the financial instruments effectively.

Q146 John Pugh: In terms of your spend so far, as far as we can tell from the report, by the mid-term only 36% of your total capital budget had been spent and only 40% of your communities revenue budget had been spent. Are you on course for a substantial under-spend here?

Sir Bob Kerlake: No, we are not.

Helen Edwards: No. We are just about to publish our latest figures on capital spend, and those will show a spend of about £4.7 billion. For various reasons, the spend tends to be end-loaded.

Q147 John Pugh: So every penny of that is likely to be used.

Helen Edwards: I am not sure I could say every penny.

John Pugh: But nearly every penny—as much as you can.

Helen Edwards: Pretty close.

Sir Bob Kerlake: We will get pretty close. If you look at the track record, in previous years we have got pretty close. Where we think we are going to slip on budgets, we have negotiated flexibility with the Treasury to move the money into future years.

Q148 Mark Pawsey: Sir Bob, I would just like to explore the dual role that you undertook for two and a half years between January 2012 and September 2014, when you combined the role of Head of the Civil Service and the departmental Permanent Secretary. Why do you think that arrangement came to an end?

Sir Bob Kerlake: I have explained that before. The role was one set up distinctly to do a particular job. I led the work on Civil Service reform and we made good progress. The Prime Minister decided he wanted to create a new role—an externally-recruited person to be a Chief Executive—and that was not the job that I took on nor, indeed, wanted to do, so inevitably the model had to change.

Q149 Mark Pawsey: Was it never your expectation that that role would continue beyond September 2014?

Sir Bob Kerlake: I had no particular date when it would end, Mr Pawsey, but all these arrangements are subject to review and in the end it is the prerogative of the Prime Minister if he wants to change them.

Q150 Mark Pawsey: But the circumstances in which it came to an end were pretty unfortunate. I understand you were off sick at the time the announcement was made. You sent a tweet. I am going to ask you whether the tweet that you sent referring to “a pretty big knife in the back” was a tweet sent in haste, as we have all done at some time or other, or a considered response and how you felt at the time.

Sir Bob Kerlake: Just to correct things, I was not off sick; I was in work at the time. I did have a very severe problem—it was a slipped disc that occurred, which was truly agony—and, having seen a consultant, they advised I be operated on very urgently. All that happened after the announcement. What I said in that tweet was an accurate description; it was a 16cm incision in my back in order to correct it.

Q151 Mark Pawsey: It bore no relation to the decision that had been made in respect of the change of your role.

Sir Bob Kerlake: No. As I said at the time, even permanent secretaries are allowed a sense of humour every now and then.

Mark Pawsey: So it was just a coincidence.

Sir Bob Kerlake: I just factually commented on the situation, Mr Pawsey.

Q152 Mark Pawsey: Did you think, broadly, as somebody who had come from outside of the Civil Service, that it always going to be a difficult role for you to adopt given the reputation of the Civil Service?

Sir Bob Kerlake: It was a challenging role; there is no question. We delivered an awful lot, and I take a lot of pride in the big things that moved on. The Civil Service—I have said this—would benefit from becoming more open over time. Open recruitment and openness to policy ideas from outside should all be part of the future Civil Service.

Q153 Mark Pawsey: Under the new arrangement, John Manzoni has been appointed. He is from outside the Civil Service. Are there any particular pieces of advice you would give to him?

Sir Bob Kerlake: John is a very experienced person. My only bit of advice to him is that he needs to encourage the Civil Service to work more corporately and less departmentally. It is at its best when it is able to work as a Civil Service in the interests of the whole of the Civil Service and, indeed, the Government as a whole.

Q154 Mark Pawsey: Any thoughts about the tweets he might send?

Sir Bob Kerlake: I do not know if he does tweeting or not. I think he probably does. I will leave him to make his own decisions on that.

Q155 Mark Pawsey: Helen Edwards, if I might just refer to you, Sir Bob's replacement in the Department is well and truly steeped within the Civil Service, but you have come from outside of the Civil Service. Does what you have seen about, perhaps, the way Sir Bob has been treated give you any concern at all?

Helen Edwards: No. Bob is perfectly capable of taking care of himself.

Q156 Mark Pawsey: But the broader point about the challenges for people coming from outside. Your career history is from outside the Civil Service.

Helen Edwards: It is.

Mark Pawsey: Do you think that presents any challenges that might not otherwise be the case?

Helen Edwards: No. A number of people do come in from outside. Not everybody finds Whitehall to their taste. I have been in Whitehall now for 13 years. I have enjoyed my time.

Q157 Mark Pawsey: Have you been got at? Are you now an insider rather than an outsider?

Helen Edwards: I am not sure that I would regard myself as an insider in that sense. I have worked in three different sectors. I have worked in local government; I have worked in the third sector; and now I have worked in Whitehall. They are all different. The theme for me is public service in different contexts, and I have enjoyed them all. There are some excellent people who work in Whitehall. Maybe I could take the opportunity just to put one thing on the record about Bob in terms of the staff of DCLG. We regard Bob as an outstanding public servant and public sector leader and it has been a real privilege for us all to work with him. We will miss him.

Mark Pawsey: I am pleased you have been able to do that.

Q158 Simon Danczuk: Just a quick question that follows on a little bit from what John Pugh was saying. You have got the National Audit Office, the House of Commons Scrutiny Unit, CIPFA, the LGA and Mary Portas. Bob, are you familiar with this quote: "Infamy! Infamy! They've all got it in for me!"?

Sir Bob Kerslake: Sadly, I am old enough to remember the film that it was in. We are bound to be up for challenge at different times. That goes with the territory, really. What we do look at is the things we have achieved. We are one of the best performers in Whitehall on our business plan. We have seen our engagement scores go up by 5% since 2010 despite the fact the Department has reduced by 60%. We have seen our leadership and management score go up by over 20% since 2010. In a sense, I tend to look at the facts and what the facts tell me. We should listen to criticism as well, but we should not just go in a bunker on it. I cannot even remember the person who gave the quote now. It has gone. Kenneth—

Simon Danczuk: Was it not Howerd?

Chair: Williams.

John Pugh: Kenneth Williams.

Sir Bob Kerlake: Kenneth Williams. Good. Yes.

Q159 Chair: Come 28 February, do you breathe a great sigh of relief and start enjoying life?

Sir Bob Kerlake: No. I have enjoyed this time. It has been great working with the Department. I take genuine pride at the fact that the Department has delivered on the programmes and is a stronger Department now, despite the things that we have had to do and the very difficult decisions we have had to make. I have a huge passion and interest in what the Department does—local government, housing, local growth. These things matter a great deal to me. I am hoping very much that I can continue to pursue those issues and interests when I step down on the 28th.

Q160 Chair: In terms of any regrets, do you think in hindsight you might regret the dual-role opportunity you were given? Do you think it was probably an impossible job, made even more difficult by some impossible people?

Sir Bob Kerlake: I would say it was a challenging job. We achieved a lot. I sat in Cabinet for well over two years. I was able to play a leadership role with the Civil Service, which I have immense pride and respect for, and do some big things as well. The dual role, hard work though it was, did allow me to draw my experience in CLG into the Civil Service and draw my experience as Head of the Civil Service into CLG. Overall, I do not have regrets on it. It is time to move on and do something different.

Q161 Chair: Just coming back to your long-term interest in and commitment to local government, it is clearly something as Permanent Secretary of the Department you have been able to continue. Again, if you had any regrets, would it be that you had to be there at a time of such major cuts in local government funding as opposed to being there at a time when there was probably a gradual increase in funding, when more initiatives could have been taken?

Sir Bob Kerlake: If I was being a little bit facetious, I would say I was in local government at the time it saw growth and then out of it at the time it saw the most acute reductions. In one sense, I might have got the choices right there. No, you clearly hope to be in a world where you can give more money to local government, but this is part of Government's policy. We are here to implement Government's policy

and we have done that in a way we hope has been a fair and transparent. What I would say is that local government has responded magnificently to this challenge, and it has been good to be part of that. Painful though it has been for many local authorities, they have done this job excellently and I hope I have played my part in helping them do that.

Q162 Chair: Just coming back to my friend Geoffrey Boycott, when he stopped playing cricket and his last innings came to an end, he became a cricket commentator and he gave very open and vociferous views about those who were playing the game after him. Are we going to hear from you?

Sir Bob Kerlake: I am beginning to regret using this example. I will probably be freer to express my views. I hope I am not going to be quite as acerbic and as challenging as Geoffrey Boycott has been.

Chair: But we may hear from you in due course.

Sir Bob Kerlake: I would be surprised if you do not.

Q163 Chair: Certainly we may hear from you in a different capacity, I suppose. You are going to the Peabody Trust as one of the jobs you are doing.

Sir Bob Kerlake: Chair of Peabody, yes.

Chair: It may well be our successor committee has cause to invite you as a witness on a future occasion in that respect.

Sir Bob Kerlake: I look forward to that.

Chair: On behalf of all the Committee, thank you very much indeed for all you have done, Bob. We all wish you all the best in your future roles.

Sir Bob Kerlake: Thank you very much.