



Public Administration and Constitutional Affairs Committee

Oral evidence: Introductory session on the work of the Cabinet Office, HC 527

Monday 30 November 2015

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[Watch the meeting](#)

Members present: Mr Bernard Jenkin (Chair); Ronnie Cowan; Oliver Dowden; Paul Flynn; Mrs Cheryl Gillan; Mr David Jones; Tom Tugendhat.

Questions 1-168

Witnesses: **Rt Hon Matthew Hancock MP**, Minister for the Cabinet Office and Paymaster General, and **John Manzoni**, Permanent Secretary of the Cabinet Office and Chief Executive of the Civil Service, gave evidence.

Q1 Chair: Can I welcome each of you to today's introductory session on the work of the Cabinet Office? It is a great pleasure to see the Permanent Secretary in his new role and the Minister in his new role. Could each of you introduce yourselves for the record, please?

Matthew Hancock: I am Matthew Hancock. I am the Minister for the Cabinet Office and also the Paymaster General. It is a great pleasure to be here.

John Manzoni: I am John Manzoni, the Permanent Secretary for the Cabinet Office and the Chief Executive of the civil service.

Chair: I usually say—and I think it is helpful—that we will do short questions and you do short answers, and we will get through all the questions. If you give long answers in the hope that we will not ask so many questions, it will not work.

Matthew Hancock: Okay.

Q2 Oliver Dowden: May I begin by asking: what are your long-term goals in your current roles?

Matthew Hancock: That is a good place to start. There are two things that I want to achieve in this role. One is the narrow running of the Cabinet Office. The role of the Cabinet Office is to make the Government work better than the sum of its parts. There is a suspicion among some that Government is less effective than the sum of its parts. The central role of the Cabinet Office is to improve the outcomes for citizens by effectively co-

ordinating and leading. In some cases this is a matter of challenging Departments to improve. In some cases it is a matter of supporting them to improve. It is always a matter of getting the capability right across Government. That is the narrow goal of the Cabinet Office and I want to leave the Cabinet Office better placed to be able to execute on that goal.

The second goal is broader. It is that the Government as a whole has a clear agenda; it has a set of policies agreed by the Cabinet and now with the Spending Review to underpin them over the next four years. We want to see that delivered effectively, including having a much more efficient public service, and the civil service in particular, much more digital delivery of services to citizens, and much more rigorous and effective commercial capability within the civil service so that we get better value for money.

Q3 Oliver Dowden: These are both very broad aims. Are there specific priorities in your in-tray; things that you are putting to the top of your list, coming in as the new Minister?

Matthew Hancock: Yes. I would put four to the top of the list. Digital transformation is absolutely mission-critical to deliver effective government services in the tighter spending settlement that we have for this Parliament. The £450 million allocation to the Government Digital Service is a vital part of that transformation. Second is people—making sure that, as the civil service reduces in size, which it will, we keep the right people and make sure they are more highly motivated and that the skillset matches the task. The third is efficiency across the board, which includes better property management and the commercial skills that I mentioned. The fourth is making sure that Government policy is effectively delivered, which is where I support Oliver Letwin, who leads on the cross-government task forces.

Q4 Oliver Dowden: John Manzoni, how does that relate to you?

John Manzoni: I completely agree with my boss.

Q5 Oliver Dowden: Specifically. Your role is slightly different, as Permanent Secretary and Chief Executive. How do those two relate?

John Manzoni: It makes a great deal of sense to have the chief executive role and the Cabinet Office Permanent Secretary role together, because much of the activity that I am concerned about is effected through the Cabinet Office and its functions, so that makes a great deal of sense. I do not have any issue with that. There are some additional things I have to do as a Cabinet Officer of the Cabinet Office, but with regard to the civil service it is a much aligned set of things.

I have set out previously four specific areas of focus, which are entirely aligned with what the Minister has described and, indeed, what Jeremy has described. I have said it is about people, which is about skills and diversity, particularly commercial, digital, and project leadership in the skills area. I have said it is about the centre and how the centre of Government works. That is essentially the functional agenda: creating a set of functions and deploying them across the Departments.

I have talked about performance management, which is now coming into its own. That is about the implementation of how the civil service works in the next phase, and how we implement to get the reform and the transformation we need. That is all about performance management and how it works.

Slightly more esoteric is the leadership agenda and how we create broader, deeper leadership across the civil service, so I am focused on the civil service here. With those four things, which we can unpack—

Q6 Oliver Dowden: Are there specific initiatives that you are seeking to introduce?

John Manzoni: Yes. There are several. In terms of people, how do we build commercial skills, digital skills and project leadership skills across Government, those being the top three priorities? We are introducing fast streams, creating career tracks for those professions. A whole set of skills initiatives are going on. We can talk about those in more detail.

On the functions, of course, we have stood up a series of functions from those three that I have mentioned but including property and human resources, which we are just about to pull together as a function across Government. We are building functionality across Government; that is strands of professionalism that go across the organisation.

Under performance management we have created single departmental plans. The plans are not the end in themselves. The quality and nature of planning is the key because we need to plan in detail how the civil service is going to implement the next four years. That is that.

On leadership we have had a leadership statement. We do a lot of stuff around leadership competencies. The Chair is familiar with the imminent introduction of a leadership academy; an example of specific initiative. So there are quite a few specifics.

Q7 Oliver Dowden: Relative to other areas of Whitehall, the Cabinet Office is expanding in its numbers of staff and so on. Do you see the Cabinet Office having a greater role over the course of this Parliament than it has done previously? I don't know whether you want to address that, Minister?

Matthew Hancock: The core Cabinet Office is reducing, in line with just a little bit more than the average reduction in admin spend across Whitehall. The core part of the Cabinet Office is effective because of what it does rather than the number of people it has. When you are co-ordinating Government a smaller number of people can do that probably more effectively. If you take the ultimate example of that, the economic and domestic secretariat, that has just over 40 people in it and it co-ordinates Government policy through the write-round process spectacularly well because it is full of absolutely brilliant people, but it is very, very small.

The areas where the Cabinet Office is set to expand include the delivery of digital and GDS with its expanded budget. That is about practically leading and, in some cases, designing government services that are going to be designed once and then used by a whole series of different Departments. That is a discrete part of the Cabinet Office. It sits

rightly in the centre. It is very important to see the different bits of the Cabinet Office moving in different directions because they are separate and discrete.

John Manzoni: To summarise the numbers for the Committee. The Cabinet Office did grow in the last five years. Net-net the Cabinet Office—

Chair: We are going to come to the numbers later, if that is all right.

John Manzoni: Okay.

Q8 Chair: I want to ask about single departmental plans. When you started, when did you envisage that Departments should be publishing their single departmental plans?

Matthew Hancock: When did we envisage?

Chair: That they should be published.

Matthew Hancock: The plan is to publish them in December.

John Manzoni: January.

Q9 Chair: All of them? Some have been published already?

Matthew Hancock: No. They are all going to be published in one go. John is right, January rather than December.

Q10 Chair: January. Why have they taken so long to formulate? One gets the impression that the Government is too busy to do any planning?

Matthew Hancock: No. The sequencing is that we needed the Spending Review first so that people know the budgets. The design of the single departmental plan has been going alongside the Spending Review, because it is crucial that you tie up the running of the Government business as usual with the manifesto commitments for change and the money to be able to do these things. Only when the Spending Review is settled do we know exactly what the budgets are and it therefore takes a short period to fill in the details that can only be settled once the budgets are finalised.

Q11 Chair: What exactly will be in these plans?

John Manzoni: There are two parts to the plan. The first is the manifesto commitments and milestones on the way to the delivery of the manifesto commitments. That is a relatively familiar part of the planning process inside Departments. We have done that before. It is assisted and flushed out and helped by the implementation unit. That is one part.

The second part, which is the new bit, is about how Departments will run themselves within the fiscal envelope they are set and how they will do the business as usual. The transformations that have to happen over the course of the next four years need to be

embodied in the plans. That process is going to continue from now until the beginning of the fiscal year in March when we will be launching the new phase. There will be a publication in January of those plans at a high level, then there will be continued working of the implementation plans about how the Departments will work. That is the new bit.

Q12 Chair: Give us an idea of what you mean by this word “transformation”. Looking at DWP, for example, what transformation do you expect in DWP?

John Manzoni: To put it at a very simple level, DWP have tens of thousands of people distributed across the country. The plan to move DWP to the next phase will involve the shutting of significant numbers of offices: back offices or data centres or perhaps call centres. To do that will involve the introduction of brand new technologies across the system to allow a digital channel, for instance. That has to be introduced. In addition there would be, for instance, discussing how the teams in DWP work, over what hours, what periods, how the shift patterns work. We have to move all the buildings. We have to change the shift patterns. Some of the people will change. All of that is underpinned by completely new sets of technology. That is the sort of transformation I am talking about.

Chair: That is just one Department. This is a massive programme of change in just one Department that you are talking about.

John Manzoni: Correct.

Q13 Chair: What evidence do we have that the Government is capable of delivering change on such a massive scale?

John Manzoni: That is why we are building a set of functions in the centre through which, for instance, the technologies can be deployed. We are not just doing it through the centre of course. There are big programmes of bringing skills into the Departments in order to do that. DWP has big plans to bring in the appropriate skillsets, whether it is technology skillsets, project leader skillsets and such things. That is the whole process of the next phase of reform of the Government. That is what it is all about.

Q14 Chair: We should not be left under any illusions about the scale of this?

Matthew Hancock: No. It will be a big challenge but we started down this path in the last Parliament, successfully in most cases. Of course we don’t get everything right first time.

Q15 Chair: This is far more ambitious than the last Parliament.

Matthew Hancock: It is going further. Some people ask, “Hasn’t all the low-hanging fruit been picked? Haven’t all the easy savings been made?” but the best way to think of it is this. Yes, of course, when there has been a lot of spare cash in the system it is easier at first to take that out but, at the same time, we have been building the capability and people have been getting the experience of what it is like to do this sort of transformation. When this whole process was kicked off in 2010 after that Spending Review very few people—

especially those in the senior management of the civil service—had ever been through a consolidation.

Q16 Mrs Gillan: Mr Manzoni, in your extremely capable summary of this complete revolution in government over a very short period of time, the thing that struck me is the complete absence of any reference to service delivery and the people that are on the receiving end of government services, which surely has to play a very major role. From my commercial experience, if you try to bring about the sort of changes you are talking about, it is the customer or client that suffers if it is not being done with sensitivity. Particularly thinking of DWP, we have just lived through a similar set of circumstances with tax credits. Would you like to explain how you are going to focus on the service users?

John Manzoni: Yes. If I did not explain it properly I should have because, of course, it all starts with the service and the effectiveness of the service delivery. For example—and I think it is a relevant example—in DWP at the heart of that transformation is the progressive introduction of the Universal Credit service in a digital form. That has taken longer. Two years ago there was all sorts of controversy around that, but with the space to allow that organisation to both test it in the live service and build the digital process for Universal Credit and, therefore, getting people attuned to how to do that, that lies at the heart of much of the DWP transformation and the introduction of that service.

Q17 Mrs Gillan: You are envisaging the same scale of change across all Departments, though.

John Manzoni: Slightly different in different Departments but it is certainly true that there are transformations required. They are slightly different across the piece but there are transformations required.

Q18 Mrs Gillan: Presumably that means that there is also going to be increasing use of arm's length bodies. For example, that could include pushing projects which I know you are responsible for out into arm's length bodies.

John Manzoni: It is interesting. Some projects are amenable to be run through arm's length bodies, so generally the sort of harder edged projects. With infrastructure projects it has worked extremely well to drive those through arm's length bodies. Some of the transformations that I am talking about are transformations within the civil service itself; the introduction of new technology in order to change business process within the civil service. That is at the heart of much of the change we are talking about. That is not something that is amenable to being done from the outside in. It has to be done by the leadership of the existing business process. I do not think that we will necessarily be pushing everything out into arm's length bodies. In many ways we are bringing some of it back in. For example, we are bringing technology back into the service.

Q19 Ronnie Cowan: I am hearing a whole raft of management speak, including the digital technology fulfilment. In 35 years in IT I have heard a lot about digital technology fulfilment. It usually means an IT budget that is running away that nobody can quite justify, categorise

or quantify. Are there any guarantees that the IT budget is not going to run away with you? All I am envisaging here are closures and redundancies.

Matthew Hancock: I don't know what you are specifically referring to there.

Q20 Ronnie Cowan: You were talking about DWP closures, so you are looking at redundancies, yes? You are talking about digital channels and digital technology fulfilment. I have heard these phrases already this afternoon.

Matthew Hancock: Neither of us used the phrase I was accused of using, so it is quite hard to know what exactly the question is.

Q21 Ronnie Cowan: Talking about your digital channels, is that another phrase you used?

Matthew Hancock: Okay. So will it work? Is that what you are getting at?

Ronnie Cowan: And how much will it cost?

Matthew Hancock: The truth is that it is vital to make a lot of these changes in order to make the savings that we need to make and to improve the user experience. Ultimately the digital transformation that we see aims to improve the relationship between the citizen and the state as they interact with government services. To your point, Mrs Gillan, the user need has to be at the heart of it and that is why the transformations will be different in different Departments.

Ronnie Cowan: How much is it going to cost?

Matthew Hancock: We have set aside a budget of £1.8 billion across Whitehall and £450 million within the centre to deliver this, but the question really is: how much is it going to save? Because it will save money by delivering better services.

Q22 Ronnie Cowan: The question I asked is: how much it is going to cost? How do you come up with a figure of £1.8 billion?

Matthew Hancock: Each Department has a programme. This is just for digital transformation. That is the gross cost and of course there is a net saving.

Q23 Paul Flynn: Can you give us a rough estimate of the number of high-tech schemes introduced by Government in the last 30 years that have come in on time and on budget?

Matthew Hancock: I do not have that figure over 30 years, but what I would say is that there has been a revolution in the approach taken to digital within Government. It is absolutely true that, until 2010 and in some cases afterwards, there were large IT projects brought in that were often disassociated from the policies they were trying to support and that were expensive failures. The NHS IT system, which was estimated to cost around £20 billion and was cancelled in 2008, is probably the worst example of all of these.

Q24 Paul Flynn: All of these were introduced. Having been in England for 30 years, I have heard people like you come out with the same kind of optimistic claims for miracle improvements from high-tech schemes and there are a very small proportion of them that have come in on budget. Why should yours?

Matthew Hancock: For two reasons. The first is that we have fundamentally changed the way that we deal with digital in government.

Paul Flynn: So did all the others, I assure you.

Matthew Hancock: Secondly because this one is working. Okay?

Q25 Paul Flynn: Where is it working?

Matthew Hancock: It is working in the DVLA where you now have a much easier user experience. It is working if you apply for a lasting power of attorney, usually done when a husband or wife is in a pretty vulnerable position and needs to have legal power over their partner. It is working in—

Paul Flynn: Is it working in social security?

Matthew Hancock: In Universal Credit it is starting to come in.

Paul Flynn: Come on, it is late.

Matthew Hancock: Yes, but bringing it in, in an iterative way, learning from how it is being done is an important part of getting it right. For instance, let me give you another example. In Universal Credit, some of the programmers sit in job centres so that they can observe how their system works on the ground in order to improve it while it is being developed. It is making sure that the user need is at the heart and also that the software is developed iteratively, learning from the mistakes and learning early from them, rather than signing an enormous contract, usually with an outsource provider, and then forgetting about it for 10 years, which is a caricature of the process that was in place previously.

Q26 Tom Tugendhat: Coming back to your role as Cabinet Secretary and Chief Executive and Head of the civil service, Mr Manzoni, which responsibilities did you take over from your predecessor?

John Manzoni: First of all, I am not the Cabinet Secretary.

Chair: I think the question was: how are you going to co-ordinate your role as the Chief Executive and Head of the civil service with the Cabinet Secretary? How are you going to co-ordinate your role as Cabinet Secretary—

John Manzoni: I am not the Cabinet Secretary. My two roles are the Chief Executive of the civil service—

Chair: —and the Cabinet Office Permanent Secretary. Is that what you mean?

Tom Tugendhat: That is what I meant. Thank you. That is exactly what I meant.

Chair: Got it, and how do you co-ordinate your role with the Cabinet Secretary?

John Manzoni: That is a separate question, so we will deal with the first one first and then we will come to the second. The two roles are entirely complementary. The role of Chief Executive of the civil service did not exist before I took over, so I did not really take that from anybody.

Tom Tugendhat: You inherited some of the functions from—

Chair: *Let him answer the question, please.*

John Manzoni: I did inherit some of the functions and have now created predominantly in that role my priorities: people, the centre, performance management and leadership. Those are my priorities for the Chief Executive of the civil service.

In people it is all about skills and building skills and diversity. In the centre it is about building the functions and deploying them across Government to achieve the sorts of things that we have been talking about, not only in technology but in human resources, property, commercial; all of that. In performance management it is about the implementation plans that we have just talked about and in leadership it is a slightly more esoteric type agenda. That in large part coincides with the Permanent Secretary of the Cabinet Office because a significant part of the Cabinet Office is the functions that we have discussed.

The Cabinet Office has four separate things going on. In service of the overall mission that the Minister mentioned we have the support of the PM and the Cabinet. That is all the secretariats going on in the Cabinet Office. We drive efficiency and reform to make government work better. That is the functional agenda, so that is a complete overlap with the chief executive role. We build more united democracy towards a stronger society. That is essentially the constitution group and the charitable giving and the NCS section of the Cabinet Office. Finally, our role is to strengthen the security of the UK at home and abroad. At least 25% of that is completely overlapping with the chief executive and then there are some additional things that I do with regard to the Cabinet Office.

Q27 Tom Tugendhat: The only other question I am going to ask you on this is: how do we measure your success? The other questions were all exactly the same.

John Manzoni: In which capacity?

Tom Tugendhat: You have outlined four points. How shall we measure your success against all of those four points?

John Manzoni: For the chief executive role, frankly, over the course of this Parliament, the successful delivery of the transformations that we have just spent some time talking about will be the core measure of success in my role in that regard. So, can we build the skills, can we introduce the technology, change the business processes in the way that we have described, can we strengthen the muscle of the civil service in implementation and delivery? Those are the measures of success. In three years' time will we have a better commercial skillset across the civil service than we do today? Will we have introduced a

model of the workforce that allows us to hire digital people and technology people? Those are the measures that I see myself for the chief executive role.

For the Permanent Secretary of the Cabinet Office role, frankly, what I would like to do is make sure that the Cabinet Office, as the Minister said, is in a better place than it is today. One always has to move forward. It is about the collective leadership of the Cabinet Office. Those are four quite discrete and distinct roles. There are seven permanent secretaries in the Cabinet Office so it is not a normal Department. I want the Cabinet Office to have successfully delivered their own Spending Review settlement, and I want the leadership of the Cabinet Office to feel like they are collectively leading part of the centre of Government on behalf of the rest of Government.

Q28 Chair: Just tell us who are the seven permanent secretaries of the Cabinet Office?

John Manzoni: There is the Cabinet Secretary himself. There is me. There is Sir Mark Lyall-Grant of the NSC.

Matthew Hancock: The National Security Adviser.

John Manzoni: He is the chair of the JIC. There is Tom Scholar running Europe.

Matthew Hancock: Not quite running Europe.

John Manzoni: Running the European secretariat.

Chair: Sadly, not running Europe.

John Manzoni: There is the Office of the Parliamentary Counsel. I am missing one. I can't remember the seventh.

Chair: He is probably secret.

John Manzoni: No, he is not. It will come to me.

Chair: A very interesting point to make.

Q29 Mrs Gillan: When you came before the predecessor committee, Mr Manzoni, in January 2015, you talked about the need to evolve the combined role of the Cabinet Office and the Treasury. One could be forgiven when you look at some of the PR stuff put out by the Cabinet Office as to what your role is for thinking that you may be the enforcement arm of the Treasury, or certainly rather a large part of the Treasury, considering that you promote the fact that you have the cross-government efficiency and reform savings under your umbrella, the £22 billion of overdue debt, overseeing the 90% budget cuts across central Government Departments and so on. Could you define for the Committee what you think the separate roles of the Cabinet Office and Treasury are and how you see those roles divided up, and let us know how much you have succeeded in evolving this combined role? It would appear that you made a good bid for taking over Treasury land and occupying it.

John Manzoni: Never let it be heard. Philip Rycroft is the seventh Permanent Secretary. So respect for Philip. He runs the constitution group.

With regard to the Cabinet Office and the Treasury what I would say is as follows that actually it is a combination of both. At least with regard to the running of the civil service—I am not talking about the economics and the macro-economic activities of the Treasury—but for instance with regard to the spending round, how the civil service fits in with that, there are two things that are required. The first is: how much money is available and how do you distribute it? That is predominantly an HM Treasury activity. The second issue within that is: how is it best spent? In my contention, that is predominantly a functional conversation about: how we do this as well as we can, as professionally as we can, along a number of dimensions? How much do we outsource? How much do we hold in? What sort of technology do we deploy? What buildings should we sit in? Should we share? How do we do all of that—back to your earlier question—while improving the effectiveness of the service that we provide to the citizens, which is our core purpose? Those two complementary things are what are going on today inside the Treasury and the Cabinet Office. I would say that over the course of this spending round—and I don't have any history but I am told this—the Cabinet Office teams and the spending teams in the Treasury have in this spending round worked hand in hand. It was much more open, so that there were joint discussions weekly or monthly meetings between the spend teams and functional leaders so that they could share and assess between them the—

Q30 Mrs Gillan: Are these functions that could be carried out within the Treasury? Why does it have to be carried by a separate Government Department?

John Manzoni: The same would be true for anywhere. I make no comment about whether they could be so. I think the truth is that all of that functionality is carried out at the centre of Government. In this context, I see the Treasury and the Cabinet Office as collectively the centre of Government, with No. 10.

Q31 Mrs Gillan: Therefore, do you think the Treasury has complete control over what goes on in the Cabinet Office? Or vice versa?

Matthew Hancock: I think the best way to look at it is that in the formulation of this Spending Review, which we fully intend to continue to strengthen, is to have the principle that there is one centre of Government between No. 10, Treasury and the Cabinet Office working hand in hand.

Q32 Mrs Gillan: Those three Departments are now the big ones, so if an order comes down to a junior Department from the Treasury, No. 10 or the Cabinet Office, it is not just No. 10 now; it is all three on a par?

Matthew Hancock: The principle is there should be one centre. Of course inevitably there are lots of different functions within the Cabinet Office, let alone when you then add on the Treasury and the PM's view, but the principle is to make Government more effective by having a more co-ordinated centre. I have been a Minister in three line Departments. I know what it feels like to be told, "You must do this or else" by one part of the centre and, "You must do the opposite or else" by another part of the centre. Sometimes if you don't have a strong view of it you want to say, "You go back and work out what you want me to do and I will do it". If you do have a strong view then it can be even more complicated.

That experience has informed my very strong steer—and one of the directions I have set—that the goal should be is to have one centre where we are more co-ordinated.

Q33 Mrs Gillan: Do you envisage a time when No. 10 and the Treasury and Cabinet might be called even No. 10?

Matthew Hancock: What matters is more the substance than the names on the doorplates.

Q34 Mrs Gillan: But you are effectively operating as one Department these days. That is what you are telling us.

Matthew Hancock: We have a very coherent group of Ministers, which makes it possible to do this. Making sure you drill that down through all these organisations I think will improve the effective running of Government to have one co-ordinated centre, rather than separate steers coming out of different bits of the centre.

Q35 Oliver Dowden: Can I ask what is your stick? The Treasury says, “If you don’t do this, we will not give you the money”. No. 10 can effectively say, “If you don’t do this you might not have your job”. Ultimately that is the fountainhead of the power, as it were.

Matthew Hancock: Well, you know.

Oliver Dowden: How does the Cabinet Office enforce?

Matthew Hancock: We have essentially two hard stops. One is that there are number of areas in which Cabinet Office has controls, so you need sign-off from the Cabinet Office in order to execute. In the functional areas this is my sign-off. The second is that we have a co-ordinating role so you can shepherd people to the correct solution.

Q36 Mrs Gillan: Can I lead on from that and ask now that we have these three Departments effectively operating as one, how was this spending round different from previous rounds?

John Manzoni: First of all, we are working towards working as one. I would not say it is complete yet. How was the spending round different? To be honest, I haven’t seen any previous spending rounds but what I would say is that there has been a good level of co-operation. We can look down one lens and it matches when you look down another lens. For instance, when Lin Homer recently announced her closures of buildings for HMRC—170 buildings—when I looked down the lens that looks across property, across Government, the closures and where she is going to end up are compatible with other Departments’ plans across Government. Those two things now join up and, therefore, although it is not all done yet, we now have the emergence of a coherent property plan across Government. Otherwise HMRC would have done their own thing and DWP would do their own, the Home Office would do their own, but in fact there have been conversations going on across Government, which ensure that the places that Lin wants to move her teams to are in the same places as we can build. That is the sort of thing.

Q37 Mrs Gillan: Isn't that where the accounting officer and the permanent secretary of any Department should be exercising his or her responsibilities? You are putting yourself between the permanent secretary of separate Departments, say for example on property refinement. Surely you are now starting to take over the roles of the permanent secretaries in those line Departments by taking that function into the centre and usurping some of their responsibilities.

John Manzoni: I know what you are pushing on and of course as soon as you introduce a second line of any matrix then, of course, you get into this conversation. The fact is first of all we are pretty careful; there is ultimate accountability down the line; that is going to change. The accounting officers have the final accountability. That will always be the case. However—

Q38 Mrs Gillan: But what you are telling me is they have final accountability but you will insist on their pattern of behaviour.

John Manzoni: No. I will convene them to demonstrate the efficacy of having a joint solution. The same is true on technology; a joint solution on the payments platform. We will convene the permanent secretaries to align around a collaborative solution. I do believe the future is more collaborative than the past, which does not necessarily have to get in the way of the ultimate accountability should somebody choose to do something different in the end.

Q39 Mrs Gillan: Do you have a dispute resolution process?

Matthew Hancock: Yes. John has them round the table and we talk about it, but then there are more formal processes. There is a civil service board now, which is official-led, in order to bring these matters together. Ultimately that lines up and goes to Cabinet but we try to resolve these things below that level.

Q40 Mrs Gillan: Lastly, what still needs to change about the spending rounds in your views?

John Manzoni: This is a different process to the sort of planning process that I am used to in 30 years in industry. I understand why it is like it is. I do think that we have started on a journey of collaborative process. It could be more collaborative. The strength of the bilateral negotiations; ultimately the Treasury has to control the fiscal envelop and I understand and respect that. I do think there is space for a more collaborative approach—and that is going to take time—where we can essentially make difficult choices across a sweep of things as opposed to down a bilateral line. In the end those are judgments, and they are always judgments, and it will depend. I think we have had more collaboration this time than we had the last time and we intend to continue that process.

Matthew Hancock: Let me give you one example. In the last Parliament we measured and were very proud of £18 billion-worth of efficiency savings as part of the fiscal consolidation. However, because of how it was set up at the start the numbers were measured on a different basis to what Treasury measure as part of their fiscal savings. This

caused unnecessary friction because essentially the same thing was being measured two different ways. This time we have set it up so that the efficiency measures are measured on the same basis that the Treasury recognise, so if you make a saving that makes the delivery of the service you are responsible for more efficient, that not only drops into the DEL numbers but also into the Cabinet Office efficiency measures. It is that sort of change, which sounds pretty technocratic and in the weeds but, ultimately, it underpins better functional working across the board.

Q41 Chair: Can I chip in on this because this Committee is doing some work on management accounts in Departments? Last year we saw the appointment of Julian Kelly as the Director General of Public Spending, a new role in the Treasury, effectively advertised by your predecessor, Minister, as the finance director of the Government. There are no equivalents in Government Departments. What encouragement would you give us in our work to try to standardise management accounting across Departments and to encourage better ongoing reporting of financial performance within Government Departments and across Whitehall as a whole?

John Manzoni: My own view is the quicker we can do this the better. As an example—to back up what the Minister has said—we have combined the management information teams, which sat in Treasury and in Cabinet Office separately. We have combined them—I happen to sit in Treasury now—but I do think that the strengthening of the management accounts and the use of those management accounts as the core process through which to measure Government's performance needs to be a core part of our agenda going forward. We have not done it yet; it is on the way. There is a programme going on right now to strengthen them and, as the Minister has said, we intend to measure the efficiencies through that process, so we need to continue to strengthen that. There are finance directors in each Department, which are convened by Julian, as the finance director for Government.

Q42 Chair: Are they chief financial officers?

John Manzoni: In the Government parlance they are chief—

Chair: In the recognisable sense?

John Manzoni: More or less, yes. What we need to do is to continue to strengthen that functionality through Government.

Q43 Mr Jones: In your joint letter to the Committee you said that the mission of the Cabinet Office is to make Government greater than the sum of its parts. I am not entirely sure that is the most felicitous of phrases. It sounds as if you want to create bigger Government whereas it seems to me what you are trying to do is to streamline Government. Your evidence so far has been very helpful in saying how you intend to create more coherence between some of those elements of the centre. Can you tell us what obstacles you are identifying now to the process that you seek to implement between No. 10 and the Cabinet Office and the Treasury?

Matt Hancock: What we mean by that phrase is that Government should run better and be more effective.

Mr Jones: It is just that you use the word “greater”.

Matt Hancock: You can be both small and dynamic and great, and that would be a good outcome. I take the point there is more than a little ambiguity there.

Where the centre needs to work better is in ensuring that all of the different perspectives that need to be taken into account are, and that the relationship between the centre and a Department is coherent rather than each Department having to have separate relationships and separate pressures being brought to bear by different parts of the centre. There are some inevitably different perspectives within the centre. The need for fiscal constraint and hitting your spending targets is one very important perspective but, similarly, the perspective that you must meet your manifesto commitments and deliver on them is the role of the Cabinet Office to make sure that each manifesto commitment has somebody accountable for delivering that. Of course those two things rub up against each other but ultimately we need to recognise those tensions as real, resolve them, and then have the discussion with the Department.

Q44 Mr David Jones: Can you give us examples of the obstacles you have encountered?

Matt Hancock: Yes, I can give you an example from the past. In my first job in Government I was responsible for the apprenticeships programme. The Cabinet Office wanted a significant increase in the number of apprentices that we had for very good policy reasons. As the Minister responsible I was supportive of this, but apprenticeships do not come for free and we needed the budget to get hold of them. Coming to a full view and resolving those tensions properly might have been a better way to go about it. We came to a good outcome in the end that time but it took a bit of going round the houses.

Q45 Mr David Jones: Now are there any such obstacles? Surely there must be.

John Manzoni: Some of the same things. The issues of how much one can invest in the transformations we have talked about and, therefore, how best to do it are the things that create hopefully a constructive tension, and a tension within the centre sometimes. For instance, where there is a contract that is coming up for renewal, one part of the centre can look at the contract and say, “We can immediately renegotiate their contract, take 20% out”. Another part of the centre may take a more strategic look and say, “We can take 50% out but it will take longer”. That is a discussion that has to happen within the centre, and it is a short-term, long-term debate. Those are going on all the time, and so they should. We have to find the appropriate solution to those sorts of questions. Those are very real today.

Q46 Ronnie Cowan: The Chancellor has announced spending cuts of 26% for the core Cabinet Office, which accrues to £60 million a year. How are we going to handle that?

John Manzoni: Yes, we have a 26% reduction. More or less we have been discussing this over the summer. Two things have happened in the Cabinet Office; that in the core budget has reduced but in addition there have been substantial investments into some of the

programmes. Whether they are property programmes or digital technology programmes has been alongside that, so the way that we have done this is several folds. We have, in some parts, for instance, the security; the parts of the Cabinet Office that are to do with security are now nestled inside a budget to be part of a 2% commitment in the MOD budget.

The secretariats have done what I would call normal efficiencies. In the functional area we have made some structural changes, structural adjustments. We have brought together a human resource function, which was performed in different parts of the Cabinet Office before. We have brought that all together under a new head that starts on 1 January, which is very helpful and important. In addition in the functions we have essentially moved them to—as the Minister was saying, you do not have to have a lot of people to have a lot of impact so more experience, fewer people, would be a general direction of travel for the function layers, which I think is very important for the centre of Government because then you can add value in a wise way. You can challenge when you need to or you can support when you need to. In a general sense, the functions have been doing that.

The good news is that over the summer, because we have been discussing this, it was not a surprise to everybody. Basically the different leadership in the Cabinet Office is the various leaders of the various teams are pretty much aligned with the outcome of the spending round, so I am confident that we will be able to implement this in a fairly seamless way going forward.

Q47 Ronnie Cowan: We have reduced the head count and brought in more experienced people to do the same jobs?

John Manzoni: We are about 20% fewer heads, which is broadly 400 people. In addition to that we have made a particular focus on the senior civil servants within the Cabinet Office, which will reduce between 30% and 40%. That has lots of benefits. It allows younger people of slightly more junior grades to come up and get some air and grow more, so that has an additional benefit. Many of those senior civil servants need to be moved to what we call specialist grades. I have mentioned the introduction of a commercial function, where we have to pay a little bit more. We are finding that we cannot attract people on existing civil service terms and conditions, so we have to change the terms and conditions, and we have to attract them under special delegated authority. But those are specialists. They are not in the normal way a senior civil servant grade. They are doing a particular job so we have to compartmentalise some of our people in that way and move—we have hired senior civil servants into the specialist category, so there is a lot of that going on and quite a bit of reshaping of the functions. Not only in Cabinet Office, across Government as well in the commercial function.

Q48 Ronnie Cowan: Then is there no danger here that, if you are taking away jobs at a more junior level, you are going to end up in a situation where you are top heavy.

John Manzoni: The reduction in today's senior civil servants across the board is 30% to 40% whereas the general reduction is 20%.

Q49 Ronnie Cowan: Within those cuts there are two budgets increasing that I know of. Cyber security is doubling from its previous budget; why?

Matt Hancock: Because cyber security is an increasing threat we face as a nation. That cyber security budget is not only for the protection of Government assets against cyber attack, but also because in order to do more to protect critical national infrastructure and wider business in society. The number of attempted cyber attacks on the UK has more or less doubled in the last year and the need for action to counter that is growing.

Q50 Ronnie Cowan: Do we know where these attacks are coming from?

Matt Hancock: We know that some are state sponsored and others are from criminal basis.

Q51 Ronnie Cowan: Do you want to expand on that?

Matt Hancock: Not really. I am quite happy to come and do a briefing on the cyber security programme more broadly. We have to be very careful about explaining, especially the state-based sources of attacks. There is a lot of speculation in the media about that, some of it is quite well informed.

Q52 Ronnie Cowan: You said attacks have doubled over the year. We are going to double the budget. Is that the correlation having more attacks, does the budget continue to grow and grow and grow?

Matt Hancock: I do not think so, not least because that is a four-year budget, but we do need to be the world leaders in cyber protection. The recent episode with the hack into TalkTalk demonstrated how vital it is, not only to protect government assets but also wider society. The US Government was recently hacked, the records of its office personnel and management were accessed, and it is clear—and we know from our experience—that there are frequent and increasingly sophisticated attacks on UK systems. We have to be able to keep up to pace, not only to defend our systems but also to ensure that we have an offensive cyber capacity to be able to degrade those who are seeking to attack the UK.

Q53 Ronnie Cowan: Is this cyber security ring-fencing systems or are we looking at monitoring the digital traffic?

Matt Hancock: It is about defending the systems that we have. In the first instance, around a very large proportion of successful cyber attacks involve an element of human failure. Whether that is a so-called insider threat, that is to say an employee, or somebody who is supposed to have access, using it in a way that they are not supposed to. Or whether that is by accident; people having passwords that are too easy or leaving them written down somewhere. The amount of work needed, just at a human level, to improve our resilience to cyber attack is significant and obviously to do that you need training. But then there is a much more sophisticated element of the programme, which is about defending the UK systems against this sort of attack.

Q54 Ronnie Cowan: Will that involve monitoring?

Matt Hancock: The existing monitoring systems are as they are, but obviously they are subject to the debates in the Investigatory Powers Bill that is before the House.

Q55 Mrs Gillan: With the increasing emphasis, quite rightly, on delivering public services digitally you are increasing the potential for an attack. How are you going to reassure our service users again, because I have had comments made to me that the more government services are delivered through the computer the more vulnerable people are feeling. What sort of expenditure, what sort of budget and what sort of programme are you putting out there to reassure service users?

Matt Hancock: It is an important point. There are massive advantages, both in terms of cost and in terms of user need for putting things online but identity verification is mission critical to good online Govtech; government computer and technology.

There is a budget agreed in the spending review to strengthen the identity verification process. Verify is a programme that is run by the GDS, which aims to have a level of assurance 2—that is a high level identity verification—without having to have a national ID database. It does that by allowing citizens to choose which trusted high level provider they have to verify their identity, so as to use the same sort of identity checks that you use, for instance, to go through your online banking to access government services.

Getting this right is difficult but it is very important that we have high level identity verification for exactly the reason you set out.

Q56 Mrs Gillan: How are you going to let people know and convince people that they are secure; that is the key question?

Matt Hancock: It is. You can do it through positively educating and, for instance, positive communication. We are increasingly using cross-government communications channels in a more dynamic way. For instance, HMRC always used to say, “We do not want to put any more information out when we send people a tax bill because we want them to concentrate on the tax that they have to pay”. The user research found that if people get a positive piece of information from the Government at the same time, then their response to their tax bill tends to be more positive. We tested this and found people paid more tax. That means that we can use HMRC communications because they send bucket loads of, yes, letters but increasingly e-mails and direct communications through their website to people to explain the importance, at that sort of moment, of having high quality cyber defence and identity verification, so using all the comms channels that we have is critical to getting this right.

Q57 Mrs Gillan: Not to labour the point, but we do know that from TalkTalk and from various other attacks that online banking is not always secure, that our financial details are not always kept securely. I certainly get at least two or three e-mails a week that purport to come from PayPal and various other things, which I have the common sense to know are not real. I do think the Government needs to pay attention to how they are going to get people to

trust the delivery of government services and I would like to see a specific budget, maybe even a programme, not just through HMRC because all services eventually will be consumed in this fashion. Because if people do not trust it, it is going to be an inefficient system, is it not?

Matt Hancock: I completely agree with every word that you said, and—

Chair: That will do, if you agree with every word.

Q58 Ronnie Cowan: One more aspect to the expenditure. The National Systems Service has increased fourfold from £100 million to £400 million. Am I right in saying its objective is to expand the service to deliver up to 300,000 places over the next four or five years?

Matt Hancock: Yes, that is right.

Q59 Ronnie Cowan: How many of those will be in Scotland?

Matt Hancock: It is not a programme in Scotland because the budget is devolved through the Barnett formula and the Scottish Government have chosen not to implement this brilliant scheme.

Q60 Paul Flynn: Are you saying the Cabinet Office has a role in co-ordinating Departments and this was spectacularly successful?

Matt Hancock: I was describing EDS, as it is called—the Economic and Domestic Secretariat—as an example of a relatively small team—around 40 people—who can have a very big positive impact because of the job they are doing co-ordinating government policy.

Q61 Paul Flynn: How successful have they been on Kids Company?

Matt Hancock: They are not responsible for individual spending decisions. Their job is to co-ordinate the various views across Whitehall and to bring a collective decision among Government.

Q62 Paul Flynn: Let's look at one particular view across Whitehall. Adolf Hitler in his final days ordered his general of the 12th Army to come in and rescue him from his bunker because the Red Army were approaching. It has been said that not since then has a European leader been so deluded about a phantom army as the Prime Minister was last week when he invented this army of 70,000. The people who told him that are part of your Department, the intelligence and security people. The same people who discovered non-existent weapons of mass destruction in 2003. When a Prime Minister or another Government Minister comes out with an obvious absurdity that nobody else believes, is it your function to give him an alternative now so he can in some way know the truth?

Matt Hancock: I do not think it is reasonable or sensible to describe decisions being made by the Prime Minister in a way that correlates them to any decision made by Adolf Hitler.

Chair: I think you have made your point, Mr Flynn.

Q63 Paul Flynn: If what the Prime Minister is saying is wrong, and nobody else believes it, is it not the duty of someone in another Department to say, “Prime Minister, this is an absurdity”?

Matt Hancock: I agree with the statistics that the Prime Minister used.

Q64 Paul Flynn: Your chairman of the Defence Committee does not. Take something else where it looks as though the Government has made a mistake. Hinkley Point nuclear power station has an agreement to buy electricity from the Chinese—who are involved in cyber activities, as we know—at twice the going rate of electricity and guaranteeing that price for 35 years, only in their favour. The form of electricity has been bought but has never produced; it is the European pressurised water reactor. One reactor is six years late in its development and the other is seven years late. One is £5 billion over budget and the other one is £4 billion over budget. This does not seem an entirely sensible decision when European pressure reactors have never produced enough electricity to light a bicycle.

Chair: Okay, Minister.

Paul Flynn: Why should not somebody else move in and say, “Can we assess that?”

Matt Hancock: Landing the deal for Hinkley Point, and the clean energy it is going to produce over many years, is a classic case of very effective communication and co-ordination; co-ordinating between DECC, BIS, the Cabinet Office and the Home Office for some of the security elements around it, the Treasury, No. 10 and the agencies. It is exactly the sort of co-ordination that we need to see and I commend those who worked on landing the deal.

Paul Flynn: I look forward to garland you with those words at some later date when Hinkley Point runs into the same problem—

Chair: Okay, moving on from Hinkley Point.

Q65 Paul Flynn: You have added, I understand, to your Department’s staff to the numbers of 800. Is this because you believe in leading by exaltation rather than by example?

Matt Hancock: We are going to reduce the core budget by 26% over the spending review period. It is true that Cabinet Office expanded in the last Parliament because we brought into place this functional leadership, which is about making the Government work effectively in areas like property, major projects, and others that we have been talking about, as opposed to work purely in departmental silos. I think it has been a big step forward but there is much more to do.

Q66 Paul Flynn: Why have your Department and only two others increased? In a way you are building functionality. When will we see this edifice and its great benefits?

Matt Hancock: We are reducing over the spending review period by 26% and then there are programmes that are expanding, including the delivery of digital services and the NCS, which we discussed. But absolutely, the core Cabinet Office budget is shrinking a little bit faster than the rest of Whitehall.

Q67 Paul Flynn: Wasn't the improvements in the numbers of apprentices gained in large measure by rebranding the name of apprenticeships and the nature of it? An apprenticeship to my generation believed working with a craftsman for four or five years and then coming out of it with the indentures and a job and a craft that you had. Apprentices now are sometimes people working, doing very menial jobs for a period of weeks.

Chair: Mr Flynn—

Paul Flynn: So was it not a rebranding exercise?

Chair: Mr Flynn, I am sorry we are not asking about apprentices today.

Matt Hancock: My answer is just no. That will do.

Q68 Paul Flynn: He was boasting about the number of apprentices. I am just—

Chair: We are meant to be asking about staffing.

Matt Hancock: Many, many apprentices will be offended by your approach.

Paul Flynn: Many of them would regard it as entirely true.

Chair: Mr Flynn.

Paul Flynn: Because they are being exploited by the confidence trick that you operated in.

Matt Hancock: I will carry on trying to improve the skills available to the nation.

Chair: Let us not spend any more time on that.

Q69 Paul Flynn: *The Times* newspaper reported that you spent £51 million on non-payroll staff in 2014-15. Is that right?

Matt Hancock: It has been absolutely necessary to improve and strengthen the calibre and the quality of people, especially in some of these functional areas that were new. What we want to do though is move over—as John was saying earlier—to the permanent pay scales that allow us to attract people with particular skills, like commercial skills. We are also developing a new digital pay scale to make sure that people can be full-blown permanent civil servants while also being able to attract people with the specialist skills.

One of the things I want to deliver in the civil service is the sense of mission that the civil service is and can be brilliant at running things and at running the country, ultimately, under appropriate ministerial authority. I think that too much in the past the civil service has thought that, for difficult things, they need to get outsiders in or contract things out. I think the civil service is absolutely brilliant at running big things, and we want to make

sure that people who have those skills are in the civil service on a permanent basis working to improve the country that they serve.

Q70 Paul Flynn: Have you been studying Ms Batmanghelidjh's manual on how to answer questions asked by a Select Committee?

Matt Hancock: No.

Q71 Paul Flynn: That last answer, I cannot find any link between that and the question I asked.

Matt Hancock: I cannot find any link between the questions and the subject of the hearing. That is your affair, Mr Flynn.

Q72 Paul Flynn: This was a verbiage that was meant to avoid the question. I asked about the non-payroll staff.

Matt Hancock: Yes, and I answered that.

Q73 Chair: Why is it necessary to have so many non-payroll staff in the Department?

Matt Hancock: I hope to reduce that number. I hope to reduce—

Q74 Paul Flynn: Why are they there now?

Matt Hancock: I explained, because we need to have people with the capability and the capacity to bring in the skills to deliver on cross-cutting areas, like people with better property management skills, better commercial—

Q75 Chair: You must now see that number reducing?

Matt Hancock: Yes, because I want permanent civil servants with those skills who are within the civil service. That is why we are bringing in new pay bands for those with specialist skills, in order to ensure that these skills are deeply embedded in the civil service.

Q76 Paul Flynn: The Policy Exchange said that temporary staff are being used, "As a substitute for proper work force planning in the civil service". Is this not right, is it not bad management?

Matt Hancock: I want to address exactly that concern, as I just set out, and John is going to do it.

John Manzoni: The answer is exactly as the Minister said. Technology is moving on very quickly. We do not have the skills inside the civil service today immediately to be able to

respond to the technological challenges. We do not have the commercial skills inside the civil service, because we have had 10 years where we have essentially been outsourcing two major integrated providers. We have to rebuild those skills. In the short term we have to bring them in on a temporary basis—they are not on payroll—in order to get them into the civil service on a full-time basis, which is exactly as the Minister said is our aspiration. We have to start creating a different payroll structure so that they can be housed within the civil service, so that they can have a different career track within the civil service. These things have to be rebuilt from zero. That is why you are seeing what you are seeing, and that is exactly the intent over the next few years.

Q77 Paul Flynn: You believe in a process of continual revolution and change, is that right?

John Manzoni: No, I think that this is a bigger, complicated organisation. We have to be clear in the direction that we are setting, and the direction we are setting is we need more of the kind of delivery skills that we have been talking about inside the civil service than we have had in the past. The question is: can we be clear in that direction and then move progressively towards it?

Q78 Chair: How are you doing that workforce planning in the Cabinet Office?

John Manzoni: In the Cabinet Office and in the civil service we are doing it down the functional lens. I will give you the example.

Chair: Can you say that again? You are doing it what?

John Manzoni: Down the functional lens. Let's take commercial specialists.

Chair: Can you please explain that? We are a bit sceptical of management speak.

Paul Flynn: Can we translate these things into plain English?

John Manzoni: Yes, we can. I am going to hire more commercial specialists. Do you understand commercial specialists?

Paul Flynn: That is clear, yes.

John Manzoni: I am going to hire more commercial specialists across the Government. To do that I have to create career paths for them otherwise they will not want to come. I have to change the pay scales otherwise they will not come. I have to change the terms and conditions and I have to do all of that, at the same time, living within the fiscal constraints of the existing Departments. We have assessed the commercial organisations in each Department. We have looked at them. We have benchmarked them, if that is not a management speak, against what we think would be ideal. We have a specific set of actions in each Department and in the Cabinet Office to say, "What do our senior commercial specialists need to look like across Government over the course of the next few years?" and we are now embarked upon delivering that shape of those specialists in each Department and in the Cabinet Office.

Q79 Paul Flynn: If this was working as majestically as you suggest, it is a very smooth system, so why do you have to recruit so many people from outside? Why do they not come from your ordinary staff?

John Manzoni: Because it takes time to redesign the pay systems, to design the career paths that do not exist, to do all of those things, and we have £3 billion worth of contracts expiring every year across government. I now need to get some people to help me because I am saving billions of pounds across those £3 billion worth, so I need to get short-term help while we put in place all of those things that I have just described. Those things are on the verge of being put in place. I think we are making good progress in commercial. Same thing is true in digital. Same thing is true in project leadership.

Q80 Paul Flynn: Do you think we will get to a stage where you do develop your own talent and expertise and—

John Manzoni: This year for the first time we have hired 70 graduate commercial specialists, so they are now coming in at the bottom. They have a career path, they have a set of progressions that they can do, so the answer to your question is: absolutely, we should aspire to grow our own.

Q81 Chair: Do they have career paths? How much confidence in those career paths do you have?

John Manzoni: We have to assert for now because they do not exist today of course. Part of my role as the chief executive as opposed to a cabinet secretary is to stand in a place and make it okay for those people and legitimise those career paths and say, “These are important skills”. We have to assert because we are at the beginning of the journey, but I think that we have external accreditations to those young people’s careers. We are redesigning jobs for them in each of the areas, so I think it is real.

Q82 Chair: How does the civil service hang on to its identity as an institution unless it is developing its own talent stream?

Matt Hancock: It needs to do both. The core mission of the civil service, which is to run the country as effectively as possible, is absolutely supported by having specialisms within it. There have been specialisms, it is just that they have not been recognised as such and their career paths have not been as straightforward.

Chair: Mr Flynn, can we move on now?

Q83 Paul Flynn: Just a final one. We hear beneficiaries of these grand plans under all Governments who were all in a state of continuous progress and improvement, what has been learned from the civil service reform plan and capabilities plan, which was the last wonder recipe that we had?

Matt Hancock: One of the big lessons from that was that we did not have enough commercial or digital skills across government, hence the work that we are doing to try to address exactly that shortcoming.

Q84 Paul Flynn: Final point: you seem very confident in the IT scheme that is going to come out and we have had a hand in the part. Many IT schemes promised a great deal and delivered nothing. One of the major criticisms were these schemes were too big. Is the scale the problem?

Matt Hancock: Yes.

Q85 Paul Flynn: How are you going to be different to all the others?

Matt Hancock: I completely agree with the premise of the question. I also agree with your scepticism on this subject—both when you asked it now and before—because there have been these huge failures in the past. Our approach has been to try to break down the size of each project, so there is no IT scheme. There are lots and lots and lots of different much smaller projects to try to bring digital transformation. The humility to understand that you do not get things right, and usually do not get things right first time in delivering these sorts of projects, so that you need to fail, learn from the mistakes and then bring those back and improve the system, as opposed to trying to have a big bang answer, is absolutely critical.

Q86 Chair: We are going to be here for a very long time unless all this gets very much quicker. I am going to try to set a good example myself and I hope that you will give much shorter answers from now on, although you have been very informative and thank you for that. Many Ministers still feel that civil servants make it very difficult to get things done. What still needs to be learned and discussed to better understand why this happens?

Matt Hancock: My view of working in four different Departments is that, if you have a clear view of where you want to go, if you have support of people who are more senior than you and cross-government sign-off, the civil service is absolutely first rate at getting you from A to B. Things can be improved. In particular, management information can be strengthened, but ultimately civil servants follow the direction and the lead set by their legitimately elected Ministers.

Q87 Chair: How are we going to address the frustration of many Ministers who seem to have a different experience from your own?

Matt Hancock: The first thing is clarity around the role of civil servants, and the role of the civil service is to execute what is decided by Ministers. Ministers need to know what their job is as well, and their job is to set the direction, then to take advice on how to get there.

Q88 Chair: Mr Manzoni, as an outside observer, what do you think is behind this problem?

John Manzoni: I do not think there is an overnight solution. I personally believe that we have to build genuine delivery experience now in the civil service. Hence the career paths and hence bringing in technical, commercial, project leadership. The end-to-end delivery of any particular activity takes experience as well as intellect, and we are short on experience.

Q89 Chair: I am sure that is true but we also found in previous reports a lack of trust and understanding between Ministers and officials, a great deal of caution and risk aversion among officials. Why do you think these things exist and how can they be addressed?

John Manzoni: The trust issue is back to what I said. If somebody has done something for 30 years you can usually rely on their judgment. If we are merely having an intellectual debate about what might or might not be possible we can legitimately take different views. I think we have to be deeper in experience, and that will improve the trust and the nature of the relationship between the Minister and the civil service. I personally believe the civil service needs to be more confident and it needs to build the experience so that it can bring something different to the table. The Ministers will set the direction, as the Minister said; the civil service needs to be expert in delivering it.

With regard to the risk aversion, it is a complex question. I do believe that we are properly in a system that controls against maverick risk and the question is: how do we get the blend of people who use judgment as well as evidence and who are prepared to back their judgment in the public sector? That is different to the private sector. It is much more judgmental in the private sector. It is much more evidence-based in the public sector. The second leads to less risks being taken. I come back again to the fact that the only way of being confident in judgment is experience, so we have to build experience into civil servants.

Q90 Chair: I am thinking about wanting experienced civil servants to use their judgment rather than to rely on far too much evidence, which can never be a substitute for judgment. Thinking about Ministers who have often told me they find themselves dealing with officials who know less about the subject than they do because the churn of officials at certain levels is just far too quick, why do you think that occurs and how should that be addressed?

John Manzoni: One reason is the unintended consequence of relatively inflexible pay structures, because as a young person if you get a mortgage you need to get some more money. The only way of doing that in the current situation sometimes is to move jobs. It is the organisational balance between what I would call generalists and what I would call specialists or experts. I think we need to examine the balance between generalist and expert in the civil service; that is what I am talking about.

Q91 Chair: When we talk about experts we are meaning people who have long experience in their jobs.

John Manzoni: Correct.

Chair: We are not talking about particular technical expertise.

John Manzoni: No, we are talking about experience.

Matt Hancock: For instance, it is very hard to give somebody a promotion if they are doing the same job. But some people have been doing the same job for a long time, and get much better at it over that time, and we should be able to promote them in job because at the moment there is a problem, which is that civil servants feel that they have to move jobs in order to get promoted, so you get far, far too much turnover.

Q92 Chair: In the response the Government has just given to us, in response to our skills inquiry from the last Parliament, one of the points we made was about much more flexibility to salaries and tenures. The Government purports to accept this but I see no change.

Matt Hancock: Yes, it is a revolution.

Q93 Chair: I see no change taking place. It is one thing to accept our recommendation but how are you going to implement it?

Matt Hancock: The first thing was to make sure that it was agreed as part of the spending review settlement, which was all announced less than a week ago. So we are making progress on this and we have made progress in the spending review settlements.

Q94 Chair: Moving on, a lot of the shortcoming of the previous civil service plan was that there was a list of items that addressed a whole profusion of things but there was not a coherent analysis producing plans, agreement and coherent leadership for implementation. How are you going to make the next round of civil service reform different from the last one with those features?

John Manzoni: The difference this time is that the reform itself will be delivered through the departmental plans for the next Parliament. It is not something separate; it is not something on the outside going on. It is core and at the heart of the sorts of transformations that we described. That is why we are measuring it through the core information flows. That is why we are embedding it in the delivery of those plans. The Departments will not meet their spending settlements without the sorts of reforms and transformations that have to be effected; so that is the next phase of reform.

I think the first one was necessary because it loosened the system; this one is much more mainstream now in the core of the Department changes.

Q95 Oliver Dowden: On this line of questioning it relates to this on staffing. There is an argument that for any job you want done in the civil service you should simply advertise externally for it, get people to apply and proceed on that basis and, therefore, to have virtually 100% hires for jobs. How do you see the balance between that and the core civil service and how do you think you get that balance right?

John Manzoni: There needs to be a porous border between the civil service and the wider world. Some of the very best senior people I work with have had experience both of the public sector and the private sector at the start of their career. When you get people who

understand both what the outside world looks like but also what good public service looks like, and it is different, that is when you often get the very best. So encouraging that is important, but I cannot stress enough this point about civil service reform is not some sort of separate document that you then put on a shelf. It is core to delivering what the Government has to do in the next four years.

Q96 Chair: Pursuing Oliver Dowden's point, what conclusions do you draw from the fact that the most highly functioning organisations tend to generate their own talent from within? They do not recruit from outside. I am thinking the company I worked for, Ford Motor Company, a company like John Lewis Partnership, a company like Caterpillar, they never recruit from outside and these are some of the most successful companies in the world.

Matt Hancock: You want a balance.

Chair: They do not have a balance. They do not recruit from outside.

Matt Hancock: They may not but others do, especially when you have a skills shortage. We do not have 40 years to put this right. We have four years in which we have to deliver this programme.

John Manzoni: I think it is a journey. I completely agree with the Minister.

Chair: Of course.

John Manzoni: Of course I do.

Matt Hancock: No, but he really does.

John Manzoni: Our objective is to create a civil service that has the blend of experiences for people such that we can bring them up and give them those experiences. We have had a decade where essentially we have not had a set of skills inside the civil service, so we have to spike that at the top, which is why you are seeing so much—

Q97 Oliver Dowden: How is a career in the civil service compatible with having this external experience that you described, Minister? How can you ensure that within the core of civil servants, still a large number of whom were recruited directly from university and have never done anything else outside?

Matt Hancock: There are brilliant people who come in at age 21, straight out of university, and rise all the way to the top. Or rise and do something incredibly important on the way that is not necessarily at the top, it does not matter. It can be incredibly important and fulfilling. We also need to make sure that it is not a totally monolithic culture and that people come in from outside as well. What I want is to see people who do some years in the civil service, maybe go and do something else, come back, bringing that outside experience with them, and having this more porous border. For instance—

Chair: Not too long, please; quickly.

John Manzoni: Okay, I will not.

Paul Flynn: The specific reference in the Ministerial Code that oblige Ministers to comply with “international law and treaty obligations and to uphold—”

Chair: Sorry, could you deal with the question of leadership first? I am sorry. If you like I will ask the question.

Paul Flynn: Okay, by all means.

Q98 Chair: Bluntly, why is there a leadership deficit in the civil service?

John Manzoni: I do not think there is a leadership deficit. We have a particular kind of leadership. We are very good at what the civil service has concentrated on. We are world class.

Q99 Chair: In January you said to us, “The civil service required confident leadership and also observe that we are not where I think all of us would like us to be in that matter”.

John Manzoni: I still think that. It is about the different dimensions of leadership to do with delivery. We are very good at the policy. We are very good at engaging with Ministers and designing all of that policy, but the fact is that the whole issues of delivery require a different kind of perspective, a different kind of leadership. We have a leadership statement, which is out now, which is very important. We have introduced 360 degree feedback, which is new, which is going to be very important. We are starting to put emphasis on how people lead their teams in a much, much more overt way, which I think is going to help.

Q100 Chair: The Government has just accepted in the response to our skills inquiry that you will set up a leadership academy.

John Manzoni: Yes.

Q101 Chair: What are the plans for this and how is this going to be implemented? Where is it going to be?

John Manzoni: You and I talked about this a while ago, and I think we possibly even touched on it the last time I was in front of your Committee. We are on the verge now. We have vested this into a whole new set of contracts, which have had to be procured through civil service learning. We are not able to announce who has that but we are now on the verge of appointing world-class delivery partners for something called—

Q102 Chair: Is this going to be another contract?

John Manzoni: No. Something called the leadership academy delivery partners rather than just an arm’s length delivery contract. Delivery partners, so that we can work with them to create the components of a leadership academy. It will also have a place and there are several competing places right now, which we are about to finalise on which place.

Q103 Chair: Can I suggest that this is a very significant development—

John Manzoni: I think it is going to be very important.

Chair: —and that it requires some consultation and some public debate. How about the Government producing a short White Paper on this?

Matt Hancock: We will take that away.

Q104 Chair: Just to start setting up new arrangements is not going to be gathering the best intelligence or the best experience or the best ideas towards this very important project.

Matt Hancock: What I might propose on that is that it is an element of a broader paper, which we hope to publish in the new year, once we have the new chief people officer in place. We have not spoken yet, but I cannot stress enough the importance of having a chief people officer in the civil service to bring together all of these elements. It underpins this point that civil service reform is not a document, it is a process. Rupert McNeil, who is the successful candidate, is going to make a huge impact in delivering on this agenda, and we hope to have a broader paper, and we can make sure that the leadership academy is a separate and clear part of that.

Q105 Chair: In the interests of brevity we are going to pass over non-executive directorships, but it is something we consider to be very important and we are doing some work on.

Matt Hancock: We agree.

Q106 Mr Jones: Extended ministerial offices was announced to a huge fanfare in the middle of the last Government and not progressed very quickly. We understand that four EMOs are currently being established. What was the reason for the delay?

Matt Hancock: I am not sure that there was a delay. I don't know about the process before the election but since the election we have got going. There are a few that have been set up. There are a couple more that are in the pipeline. Some secretaries of state feel that they need them, others feel that they do not, and it is a very useful opportunity that they have but clearly not everybody feels that they want one.

Q107 Mr Jones: I remember graphically at the time that there was great enthusiasm within Government for this proposal. Are you suggesting now that there is not much appetite within Departments for EMOs generally?

Matt Hancock: No, I am not. I am saying that it differs according to the Secretary of State and the Department. I have an EMO and it works seamlessly. It is part of the private office, which includes special advisers, EMO appointments and classic private secretaries. I think it works every effectively. Some people have them, some people do not.

Q108 Mr Jones: Could you tell us what the rationale is for recruiting externally and for the exemption from the requirement to recruit through fair and open competition?

Matt Hancock: On the latter it is because these are appointments of the Minister. On the former, in my EMO I have people both recruited from outside and recruited from inside, permanent civil servants. It is to be able to access the widest range of expertise to make sure that there are thought-provoking people close to the Minister who can take a view, as Ministers have to, across the whole piece.

Q109 Oliver Dowden: An EMO must include a member of staff focused on the implementation who reports to the head of the implementation unit. How effective do you think EMOs are likely to be in driving change and implementation?

Matt Hancock: One of the crucial things that we are trying to do is make sure that the Government is more joined up between the centre and Departments. Having that free flow of information through somebody appointed in conjunction with the implementation unit has proved defective. Some of the Departments have chosen to introduce their own mini implementation units, which means that this is a seamless process with the centre.

Q110 Oliver Dowden: To what extent do you think the innovation of EMOs reflects the wider problem in Whitehall, which we touched on before, about Ministers feeling that they cannot achieve the delivery change or implementation that they are seeking without having direct appointment of a wider team in the form of an EMO?

Matt Hancock: The first EMOs were set up in May 2015 and inside Government the effective running of Government has improved enormously since that date. But I would put it down a little bit to EMOs and much more to single party Government.

Oliver Dowden: I could not possibly comment.

Matt Hancock: The truth is that this whole question is about: do civil servants get in the way of Ministers' wishes? We have had far fewer of those complaints since May. When Ministers are more aligned it is easier for civil servants to know what the agreed direction is. It is easier to clear things upwards these days than it used to be because you do not have to get Nick Clegg's clearance to make anything happen, which was a big blockage in the last Parliament. Government is rather more effective than it was.

Q111 Oliver Dowden: Could I put one fly in the ointment to that? To what extent do you think there is still this idea of the departmental interest? I agree with you, one part of it was the coalition interference but do you still come across this idea that there is somehow a departmental interest that does not necessarily align with the interests of the governing party and Ministers at the time?

Matt Hancock: I have short shrift and little truck for that idea. There are of course different perspectives that different Departments or different parts of individual Departments can bring, but that is different from a Department having an interest. Departments sometimes literally have financial interests, an accounting office interest. These things have to be taken into account but, ultimately, there is only one bunch of

taxpayers who are paying for it all and there is only group of citizens who are benefiting or not from the decision.

Oliver Dowden: You have not come across that argument?

Matt Hancock: People do not use that language in front of me because it does not tend to get them what they want.

Q112 Chair: How much do we recognise the civil service, as a whole, has a guardianship role for the machinery of government that extends beyond the life of an individual Government?

Matt Hancock: They have a guardianship role in ensuring that the Ministers of the day are advised about the long-term interests of the country and of the civil service as part of that. It is their job to advise Ministers and then to execute the decisions that Ministers make. The idea that a civil servant cares more for the long-term interest of the country than a Minister is for the birds. In my experience, both care deeply about the long-term interests of the country and its institutions.

Q113 Paul Flynn: The number of special advisers that Labour employed when they were in Government was 68. You increased the number to 103. Are you going to blame Nick Clegg for that?

Matt Hancock: It is certainly true that in coalition Nick Clegg had a number of special advisers, and now there is no Deputy Prime Minister so we do not need anybody to advise the post. We are about to publish shortly—I cannot disclose today—both the numbers and pay of special advisers.

Q114 Chair: Why can you not disclose the number now?

Matt Hancock: Because I do not have it in front of me. We are finalising the information ahead of publication. I apologise to the Committee for not having it ready for you.

Q115 Paul Flynn: Last week the Chancellor of the Exchequer announced savage cuts in the short money that pays for the special advisers for minority parties. Are we going to see the number of Government special advisers slashed to the same proportion?

Matt Hancock: I cannot give you the figures today but the—

Q116 Paul Flynn: Do you think they should be?

Matt Hancock: The changes to short money precisely reflect the reduction in admin spend across Whitehall. Spend on administration in Whitehall is being reduced by 19%, as is the cost of short money. It is perfectly reasonable that short money should bear its part of the cost reductions, which are necessary to eliminate the deficit alongside administration and everywhere else in Whitehall.

Q117 Paul Flynn: You published the cuts for minority parties but you are not prepared to tell us you are going to do the same thing with your own advisers.

Matt Hancock: I have just told you, we are doing exactly the same thing across Whitehall by reducing Whitehall by 19%, which is the same amount as we are reducing short money. It is entirely reasonable and appropriate that short money should reduce and make its contribution in the same way as every other bit of spend.

Q118 Paul Flynn: What is the obligation to obey the international laws taken out of the Ministerial Code?

Matt Hancock: We made the Ministerial Code consistent with the civil service Code, which has for many years included the new language. That change was brought in in 2006.

Q119 Paul Flynn: The suggestion has been made that you are trying to avoid your obligations under human rights legislation—

Chair: You are taking somebody else's question, Mr Flynn.

Paul Flynn: The numbers are different.

Chair: I appreciate that has caused—before we leave the questions—

Paul Flynn: I will happily allow someone else.

Chair: Perhaps you can come in behind Mr Jones.

Paul Flynn: It does not make any difference, particularly; the answers should be given anyway.

Matt Hancock: I tend to give the same answers to the same question, no matter who they are coming from, and I think that is called consistency.

Paul Flynn: They are replies rather than answers.

Matt Hancock: You wait.

Paul Flynn: No, you wait.

Q120 Chair: Can I just ask about the change to the SPADs code? Before we leave numbers, can I point out that in the report we did on special advisers in the last Parliament we took it as read that you published the numbers quarterly and we asked you to publish significant extra information along with that quarterly information, and the Government seemed to accept that recommendation. We had an election in May, which is seven or eight months ago, and the Government has not published any list of special advisers. Why is this acceptable?

Matthew Hancock: We will be publishing it shortly.

Chair: Why is this acceptable?

Matthew Hancock: The full explanation is that it is normal once during a Parliament—and therefore probably sensible shortly after an election—to ensure that the special advisers’ code of conduct and the special advisers’ standard contract are up to date. This means a change of employment contract for returning special advisers—

Chair: I am asking about the numbers.

Matthew Hancock: I am sorry; I am trying to give the fullest possible answer.

Chair: I don’t want the fullest possible answer; I just want you to tell me why it is acceptable that the Government hasn’t published the numbers and names of special advisers since the election.

Matthew Hancock: The answer is: because we were changing the special advisers’ contract, which is an employment contract, we therefore had to agree that with all special advisers. This takes a degree of time and, therefore, it has taken longer than we would have liked to get to the point of publication.

Q121 Chair: How many special advisers are there?

Matthew Hancock: I do not have the details and numbers in front of me.

Chair: Do you mean to say you don’t know?

Matthew Hancock: I don’t have the details of the full pay bill and everything in front of me but we will be publishing it shortly.

Q122 Chair: For a Government that prides itself on transparency and openness, this is not very good.

Matthew Hancock: All I can say is the reason for the delay is because changing this actually involves changing the contracts of employment of a number of people.

Q123 Chair: Whatever contracts, they are either working for the Government or they are not. They are either special advisers or they are not. It is quite easy to do—

Matthew Hancock: What I do not have is the pay bill because settling that—

Chair: Then you could publish a list with some brackets saying, “To be decided” or, “Under negotiation” or something.

Matthew Hancock: Okay, I can look into that.

Chair: Can you take that message back?

Matthew Hancock: I have received it loud and clear.

Q124 Chair: Looking at the SPAD code, we now have the word “instructions” included in the code. It now states that, “SPADs can convey to officials Ministers’ views, instructions and priority on issues of presentation”. Why has this change been made?

Matthew Hancock: This normalises the situation that existed. Special advisers cannot manage or direct civil servants except where they are passing on the instructions of Ministers. I think this is an appropriate balance to ensure that Ministers and special advisers can work effectively, but clearly the civil service is—

Q125 Chair: Why do you think it is that civil servants have not understood that to be the case? If there was a trusting relationship between a Minister and the special adviser and the special adviser had earned the trust of officials, why would this be necessary to make this so explicit?

Matthew Hancock: Because I think it is better to write down and describe the working practices as they are than not to. If we did not make the change then we would not be reflecting the standard working practices in the document.

Q126 Chair: How does this change improve the relationships in Departments if special advisers are going to be waving their code in order to get things done?

Matthew Hancock: Well, they don’t. As a matter of fact, I think this is essentially how things have been working and I think it is better that the code brings clarity to that.

Chair: The Ministerial Code, Mr Jones.

Q127 Mr Jones: The requirement for Ministers to comply with international law and treaty obligations has been removed from the Ministerial Code in its most recent form, why is that?

Matthew Hancock: As I said in the previous answer, because it brings the Ministerial Code into line with the civil service Code as was amended in 2006.

Q128 Mr Jones: Do you know what the reason was for removing that requirement from the civil service Code?

Matthew Hancock: No.

Q129 Mr Jones: I see, so it is purely and simply in the interests of uniformity, is that right?

Matthew Hancock: I think it is sensible that Ministers are required to follow the law and that is what it says.

Mr Jones: The law including international law?

Matthew Hancock: Of course. Our interpretation of the new code is exactly as our interpretation of the previous code.

Q130 Mr Jones: Do you think that, in any sense, the previous requirements to comply with international law inhibited previous Ministers in the way that they carried out their functions.

Matthew Hancock: I can't speak for all previous Ministers but I never had the sense that it inhibited me.

Q131 Mr Jones: How would you respond to suggestions in the media that this change was intended to limit the affect on ministerial decisions of the European Convention on Human Rights?

Matthew Hancock: I simply do not recognise that. I do not think that that applies.

Q132 Mr Jones: You do not agree with that?

Matthew Hancock: No. I don't, no.

Mr Jones: I think you have answered the question I was about to ask in fact, so I think that is all I have.

Q133 Chair: Will you be publishing further guidance on this?

Matthew Hancock: Further guidance?

Chair: Yes.

Matthew Hancock: The Ministerial Code is a non-statutory document that stands as a code of conduct for Ministers; I don't think it needs further guidance.

Q134 Chair: Was the Attorney General consulted on this change?

Matthew Hancock: There is a normal process inside Government for making these sorts of decisions, but ultimately it is published on behalf of the Government and therefore signed off by the Prime Minister.

Q135 Chair: We have now reached the end of our more urgent questions. We were going to ask you about open data. Could I just ask: do you have a proper strategy for open data? That seemed to run into the sand a little bit towards the end of the last Parliament.

Matthew Hancock: Yes. We not only have a strategy but we have enthusiasm. We have a brilliant official leading this, Paul Maltby, and we have much more buy in than we have had hitherto from individual Departments. That is why I think we are now up to 20,000 datasets released. But crucially, as well as quantity, we need to make sure they are released in a way that is open and useable and mashable in the parlance. I was delighted that last week we were recognised as the best Government in the world for open data.

Q136 Chair: The Shakespeare review recommended that there should be someone in Government working with the private sector to help the private sector to develop the world leading industry that we need, but this was something that was not accepted by your predecessor. Who is working with the private sector now on open data?

Matthew Hancock: One of the strands of Paul Maltby's work—he is a Cabinet Office official and words in GDS and reports to me—is to make sure that the data that is released is then used, and also that we in Government use the data that we ourselves release. This is known as “dogfooding” in the business, to eat your own dog food as somebody famously did in America to show how good the product was. This is all about making sure that, when we release data, it can then be used, so both working with the private sector and using the data ourselves are important parts of the data strategy.

Q137 Chair: On the Freedom of Information review, when do you expect this to report?

Matthew Hancock: We expect it to report in the new year.

Chair: When in the new year?

Matthew Hancock: There isn't a date set and they are—

Chair: It is a long year.

Matthew Hancock: It is a long year. I do not have a date and they are an independent commission.

Q138 Chair: Could you write to us with an indication of when you expect them to report?

Matthew Hancock: Can I ask them to write to you with an indication?

Chair: Yes, certainly.

Matthew Hancock: I do not want to temper their independence.

Q139 Chair: The commission was asked to consider whether the operation of the FOI Act recognises the need for a safe space for policy development and frank advice to Ministers. How much do you share that view?

Matthew Hancock: I think it is very important that people can give frank advice unfettered by the thought that it might be published in future. I would not want to see a situation where people worry about writing something down because it may be made public, when they need to write down exactly what they think.

Q140 Chair: Should that apply to individuals, or how much should that apply to individuals, like MPs or others, like members of the Royal Family, who write letters to Ministers about policy matters?

Matthew Hancock: One of the things that the commission is also looking at is the scope of coverage of the Freedom of Information Act.

Chair: And the answer to my question?

Matthew Hancock: I don't want to prejudge whatever conclusions they come to.

Chair: As you know, we are doing an inquiry into Kids Company—

Matthew Hancock: Just before that, I said I did not have the number of special advisers, the number 96 at the end of November 2015, but I still do not have a final figure on the pay bill.

Q141 Paul Flynn: How many did Nick Clegg employ?

Matthew Hancock: It was 107 at the end of November 2014.

Q142 Paul Flynn: So those are Nick Clegg's that have gone, are they?

Matthew Hancock: Nick Clegg's have gone, yes, but there have been other changes too.

Chair: Thank you for that number. We appreciate the effort you have made to give us that number. As you know, we have been doing an inquiry into Kids Company and, of course, you were one of the signatures on the letter of direction so I am afraid we have to ask a question about that.

Q143 Mr Jones: To what extent did you deal with the issues concerning Kids Company within your Department?

Matthew Hancock: I didn't lead on this issue but as the Minister for the Cabinet Office I am responsible for signing off letters of direction.

Q144 Mr Jones: You were kept closely in touch, would it be right to say, with what was happening in Kids Company?

Matthew Hancock: I was kept in touch from the election onwards. Of course, Kids Company policy had been set over a number of years under both Labour Administrations and then the Coalition, and I was not involved until May this year.

Q145 Mr Jones: So you were not involved in the first grant after the election?

Matthew Hancock: I was involved from the election onwards. I can't remember exactly when I was appointed as Minister for Cabinet Office but I was involved from then on.

Q146 Mr Jones: You must have become aware of the fact that Kids Company was in severe difficulty?

Matthew Hancock: Yes. I signed the letter of direction—

Mr Jones: Sorry, I don't want to come to that point yet.

Matthew Hancock: Sorry, okay.

Mr Jones: But you were aware that there were problems with the Kids Company, is that right?

Matthew Hancock: Yes.

Q147 Mr Jones: How long had you been aware of that?

Matthew Hancock: From the briefing I received when I started in this job in early May.

Q148 Mr Jones: You received a very strong letter from your Permanent Secretary, did you not, advising very strongly against giving any more money to Kids Company? The quote in fact was, "The experience that this Department has of the charity's management and capacity gives me limited confidence that Kids Company would successfully implement the changes it describes in its new restructuring plans while meeting the stringent conditions set out in the proposed new grant". That was a very trenchant warning to you not to give any more money to the Kids Company.

Matthew Hancock: I have had more trenchant warnings in the past, but what I—

Q149 Mr Jones: Have you acted against similar advice in the past?

Matthew Hancock: The reason that I felt able to sign the letter of direction is because I cared about the outcome for the children who were being supported but, crucially, that we also required—as part of the grant that was made—changes in the management and leadership at Kids Company. I thought that that would allow us to save the charity and the work that it did and also make sure that it was put on a long-term sustainable footing under new management.

Q150 Mr Jones: In fact, to quote you and Mr Letwin, you said, "We also take confidence from the changes that Kids Company has undertaken to make in terms of its leadership, management and governance, which we judge do give a realistic prospect of long-term viability so it can continue to deliver for vulnerable young people".

Matthew Hancock: Yes.

Mr Jones: It was clearly the case that they had promised changes before and they had never delivered on those changes, isn't that right?

Matthew Hancock: The changes included a complete change of leadership.

Q151 Mr Jones: Yes, but it was very clear that, despite making similar promises in the past, Kids Company had never performed. They had never delivered on those promises.

Matthew Hancock: The changes that were required included a specific date by which there would be a change of leadership at Kids Company. That is what gave me the confidence that these changes would happen.

Q152 Mr David Jones: Your Permanent Secretary said quite the reverse. He said that he had limited confidence that Kids Company would successfully implement the changes. He was giving you very strong advice. In retrospect, do you feel you were wrong to go against that advice?

Matthew Hancock: It is always easy to judge any action with hindsight but the question you have to ask is: knowing what we knew at the time, was it the right decision? I think that it was.

Q153 Chair: What gave you so much confidence?

Matthew Hancock: Because we had a date at which there would be a change of leadership at Kids Company. That had not happened in the past, and it was because we had insisted on this change of leadership that I felt able to continue to support the charity.

Q154 Chair: Why were you unable to persuade the Permanent Secretary to share your confidence?

Matthew Hancock: You will have to ask him that.

Q155 Paul Flynn: What was the basis of your belief that Kids Company was doing valuable work?

Matthew Hancock: I had never visited the charity, I had read reports about it and because those who were working and had been working on the policy over a long period of time—

Paul Flynn: The civil servants for instance?

Matthew Hancock: Yes, and Ministers, had that confidence.

Q156 Paul Flynn: But you were wrong. Why can't you just admit that you were wrong? The civil service was right and you were wrong.

Matthew Hancock: As I say, the question of assessing whether a decision was right or not at the time is best made thinking about and knowing the evidence that was available at the time. Afterwards, by all means, we can—and we should—work out what steps were taken and we can assess whether they came out right or not, but the decisions that you make as a Minister are made not with the benefit of hindsight but with the information that is available at the time.

Q157 Paul Flynn: What was the basis of the information? You never read things like *The Spectator* or the *Mail* where people have been saying for a long time that it was not doing valuable work; it was damaging the interests of the children that you mention.

Matthew Hancock: I read many great publications, including *The Spectator* and the *Mail*.

Q158 Mr Jones: Were you aware of the suggestions that have been made on behalf of the Kids Company that, if funding were cut off, the streets of South London would descend into savagery?

Matthew Hancock: That particular point didn't weigh heavily on my mind when I took the decision.

Mr Jones: But you were aware of that?

Matthew Hancock: Whether that particular quote had been put in front of me or not I would have to look into the records to find out.

Q159 Mr Jones: You were not the Minister primarily responsible for the Department's dealings with Kids Company.

Matthew Hancock: That is correct.

Mr Jones: That being the case, don't you think it was unwise of you to sign the letter of direction?

Matthew Hancock: No, I think that the way that Government works you always have to work as a team.

Q160 Mr Jones: So you bear equal responsibility with Mr Letwin?

Matthew Hancock: Of course. I take full responsibility for everything that I sign, and I take full responsibility for the Cabinet Office and the running of it as the Minister for the Cabinet Office.

Q161 Paul Flynn: If it turns out that a large amount of public money has been lost as a result of your signing that, would you resign then and take responsibility?

Matthew Hancock: No. I don't think this is a resigning matter. This is a question of making sure we continuously improve and all of us learn from what happens.

Q162 Paul Flynn: How can you suggest that you were in the right when you did this, when you had a whole pile of advice saying it was unwise to give the money in those circumstances?

Matthew Hancock: You have to make these judgments based on the information that you have at the time.

Q163 Paul Flynn: And you are infallible?

Matthew Hancock: No. I have not made that argument at all and I am flawed in many ways, all of us are. I think one of the most important things to do, from this sort of episode, is learn from it. But crucially, as a Minister, you have to make decisions based on the information that is available ahead of you.

Q164 Chair: What have you learnt from it?

Matthew Hancock: I have learnt that you need to scrutinise all decisions in terms of Government spending and that decisions to allocate money are best done on a competitive basis, according to a range of proposals for getting the outcomes that you want the taxpayers' money to achieve, rather than on individual and discretionary grants. It is sometimes necessary to make individual and discretionary grants, but one of the lessons is that, if you want to achieve some outcomes, set up a competition to deliver it and see who is best placed to reach the goals that you have for the expenditure of taxpayers' money.

Q165 Chair: From that answer are you saying there was insufficient scrutiny of this proposal?

Matthew Hancock: That is not what I am saying. I was answering the question: "What can you learn?"

Chair: Yes, and you said there was a need to scrutinise, and what I asked you was whether there had been insufficient scrutiny.

Matthew Hancock: I don't think there was insufficient scrutiny but I think it is always a good idea to scrutinise as much as possible.

Q166 Paul Flynn: How far was your judgment influenced by the fact that Ms Batmanghelidjh was the poster girl of the Big Society and attended Cabinet and the Conservative Party conference? Her reputation died along with the reputation of the Big Society. Is the Big Society now officially dead or is it in a deep coma?

Chair: I think that is a slightly broader question.

Matthew Hancock: As a matter of fact, my central point on Kids Company is that we achieved agreement of the change of leadership at the Kids Company in order to try to keep this charity alive and protect the vulnerable children who it looks after. If your proposition to me is that I am too soft-hearted, then that is something that I will have to take away and consider.

Chair: Last question, Mr Flynn; last question.

Q167 Paul Flynn: Okay. I think we have all been deeply moved by the plight of the children involved, and a vivid account of their problems is in the book by Harriet Sergeant, but our impression is that those children were being neglected and were not getting the treatment. They were getting large sums of money and, if you are drug addict, what would you expect them to do with it? But care was in short supply.

Chair: Do you wish to make a comment?

Matthew Hancock: All I would say is that we cared about getting the best outcome for the children. In my view, that involved changing the leadership and it was because we managed to secure the change of leadership that I thought it was reasonable to sign off the payment.

Q168 Chair: You have been very clear about one thing that competitive grant making is much better than these public interest cases, and that public interest cases perhaps ought to have a higher threshold of satisfaction rather than a letter of direction to override the civil servants' advice. Isn't that one lesson that we ought to take from this?

Matthew Hancock: I do think that we can look at that. There are always going to be cases where you do need to make a public interest case and we cannot foresee the circumstances in which they will happen, which is one of the reasons that you need that process. I also very, very strongly believe in the process of ministerial letters of direction because, ultimately, this is taxpayers' money that ought to be spent by elected people in a democracy and I think it is a fundamental part of our democracy.

Nevertheless, subject to those two caveats as are set out, I think if you can have a competitive process, rather than a direct single allocation, where that is possible it is better.

Chair: Anything else, Mr Jones?

Mr Jones: I don't think so, Chair.

Chair: Thank you very much indeed, Minister, and Mr Manzoni. It has been a very good session.

Matthew Hancock: Thank you very much.

Chair: It gets us off to a good start with our proposed inquiry into the civil service in this Parliament, and no doubt we will have you again in front of us as part of that inquiry.

Matthew Hancock: I am grateful for you letting me out before my next Select Committee at 4 o'clock.

Chair: Poor you.