

Public Administration and Constitutional Affairs Committee

Oral evidence: [The Government's management of its major projects, HC 125](#)

Tuesday 7 July 2020

Ordered by the House of Commons to be published on 7 July 2020.

[Watch the meeting](#)

Members present: Mr William Wragg (Chair); Ronnie Cowan; Jackie Doyle-Price; Chris Evans; Rachel Hopkins; Mr David Jones; David Mundell; Tom Randall; Lloyd Russell-Moyle; Karin Smyth; John Stevenson.

Questions 59 - 130

Witnesses

[I:](#) Lord Agnew of Oulton, Minister of State (Cabinet Office) and Minister of State (HM Treasury); Nick Smallwood, Chief Executive, Infrastructure and Projects Authority; and rt hon. Jesse Norman MP, Financial Secretary to the Treasury.

Examination of Witnesses

Lord Agnew of Oulton, Minister of State (Cabinet Office) and Minister of State (HM Treasury); Nick Smallwood, Chief Executive, Infrastructure and Projects Authority; and rt. hon. Jesse Norman MP, Financial Secretary to the Treasury.

Chair: Good morning and welcome to another session of the Public Administration and Constitutional Affairs Committee. Today we are focusing on Government major projects. I am in a Committee room in Portcullis House with a small number of staff needed to facilitate the meeting, suitably socially distanced from one another. Two of our witnesses are here in the Committee room with me. My other colleagues and the other witness are in their homes and offices across the country. The Committee is very grateful to witnesses for making time to appear before us today.

Could I begin by asking our witnesses to introduce themselves for the record, please?

Lord Agnew of Oulton: Good morning. I am the Minister in the Cabinet Office and the Treasury. My formal role is transformation and efficiency



HOUSE OF COMMONS

but, in relation to the context of your Committee today, I co-oversee the IPA with Jesse Norman; that is why the infrastructure is part of my portfolio.

Nick Smallwood: Good morning. My name is Nick Smallwood. I am the Chief Executive of the Infrastructure and Projects Authority, reporting to the Treasury and the Cabinet Office.

Jesse Norman: Hello. I am Jesse Norman. I am the Financial Secretary to the Treasury. I have in this area a responsibility for the National Infrastructure Strategy, the National Infrastructure Commission, and a joint responsibility with Lord Agnew for the Infrastructure Projects Authority.

Q59 **Chair:** Thank you. Lord Agnew, if I could ask you first: you mentioned some of your responsibilities there. The Cabinet Office is yet to produce a full list of ministerial responsibilities. Is there anything in addition to those things that you outlined that you have responsibility for at the Cabinet Office?

Lord Agnew of Oulton: Plenty. The Civil Service reports through to me. So, the HR function of the Civil Service, the Government Digital Service, the commercial function, all of the contract commercial function across Government, procurement, and those of course all link very much into the subject of your discussions today.

Q60 **Chair:** Another question to Lord Agnew, and then to the Financial Secretary. The Government have promised major investment in infrastructure over the coming years. Broadly, what does this investment set out to achieve for the UK?

Lord Agnew of Oulton: It has probably all been forgotten with the covid crisis, but in the Budget in March we committed to some £0.5 trillion-worth of infrastructure over the next five to 10 years. There is recognition that as a country we have not invested enough in infrastructure over the last 10, maybe 25 years, so we are trying to correct that. Also, I think there has been a miss. Some areas have done far better out of infrastructure than others. London has done particularly well, whereas other parts of England have not done so well and there is recognition of the need to try to correct that, to ensure that we govern for the whole of Britain.

Jesse Norman: I very much echo that. Of course, there is a desire to drive up economic growth and productivity overall but also across the country, as part of what the Prime Minister has called the levelling up agenda. If I were going to add a couple of things, I would say that we have a tremendous focus on green technologies and, as you know, the Net Zero Review will be reporting in due course. That is potentially transformational in infrastructure terms, building on a lot of work that has already been done.

We are also—you may come on to talk about this later—trying to make some pretty deep changes to the way in which infrastructure projects are



conceived and delivered, because there is a recognition that that side of things has not been as good as we would like it to have been in the past either.

Q61 Chair: That takes me neatly on to my question to Mr Smallwood, which is about that change. Mr Smallwood, could you perhaps quickly outline what you think needs to change in the way that major projects are managed if the Government are to achieve their objectives of both stimulating economic growth and levelling up?

Nick Smallwood: I joined the Government in August last year, so I have been able to come in from the private sector with a view of how world-class project delivery happens outside of Government and, of course, take a look at the system that delivers inside Government.

We now have quite an ambitious agenda that spans across what I call the three Ps: looking at our people, how we skill up the skills and competencies of our people and provide them with the right tools to do the work against this ambitious agenda; secondly, to focus on what I call the principles: getting the basics right and doing the things that we know need to happen on every project; and, last but not least, making that step up in terms of delivery performance and having a real laser-sharp focus on what needs to change in the performance arena.

In about 2017 the IPA published a document called the "Transforming Infrastructure Programme". It is now the appropriate time to drive that into the implementation phase.

Q62 Ronnie Cowan: Mr Norman, when are we going to see the master infrastructure plan?

Jesse Norman: The National Infrastructure Strategy? Thanks for the question. The answer is that of course we had hoped to publish it some time ago, but we have been overtaken by a whole series of events, including the election, change of Chancellor and now, of course, covid. Certainly, my hope would be that we will do it as soon as we decently can, but it does involve a lot of co-ordination and other work. Of course, it has to play its own role in the rethink that we do as part of the reflection on the wider implications of covid.

Q63 Ronnie Cowan: You mention covid. A lot of the talk around covid now is building back better relations from covid. How much of a green build-back is going to be invested in the new plan then? How much more is going to be invested in green infrastructure?

Jesse Norman: That is a very good question. As I say, I would like to have published this and my colleagues would like to have published this some time ago if we could have done. There are advantages, however, to publishing it later and those are that we can, I hope, achieve a better co-ordination between that and the net zero work that we are doing.



There is certainly an opportunity to continue to press hard on the green side. The obvious areas we might think of would be the relationship between telecoms and transport, since everyone has had the experience in lockdown of working from home. The second area, obviously, would be the issue of how we can build more green energy infrastructure and possibly more localised green energy infrastructure.

- Q64 **Ronnie Cowan:** There has been a lot of talk this morning about investing in housing and making housing with zero pollutants, but the figures that have been offered are nowhere near enough to make that happen. Do you not think it is time for the Government, rather than making a small statement, to make a great leap in this direction and invest in the house building strategy in general, to be sure that all new houses are built to environmental standards?

Jesse Norman: You will be aware that an awful lot of work has gone on in this area already and house building—at least before covid—was building up rather well. The difference, of course, in this case is that this is a specifically covid-related bounceback initiative. It is a couple of billion pounds. In the old days before covid, Ronnie, people used to think that was quite a lot of money.

The other thing about it, of course, is that it is targeted. The details will be released tomorrow, but if one reads the press reports, it is targeted via specific grants and voucher schemes. That is quite important as well.

- Q65 **Ronnie Cowan:** Yes, you are talking about a couple of billion; I appreciate that, but the real figure to retrofit all the houses, I think, within the UK would be £18 billion. We are a long way off. Obviously, if they are giving out £5,000 vouchers to people it is always sporadic. It is up to individuals to apply for it rather than targeting a particular area—if you take an area, if you take a street and you target that street and encourage everybody to buy into this concept because everybody is doing it. If you just leave it to people to apply for a voucher, you do not have much control over it.

Jesse Norman: We need to wait to see the details that will be announced with the summer economic statement and in its aftermath, but the point you make has certainly been registered and there will be scope for local authorities to help to co-ordinate local demand if they want to, I would imagine.

The voucher scheme does, however, mean that it can be targeted on people who have houses that do need work rather than being a more blanket scheme that would probably incur significantly higher cost but without necessarily any improvement.

- Q66 **David Mundell:** May I begin by asking Lord Agnew: the National Infrastructure Plan should set out the direction for the country's infrastructure, but individual projects are planned in Whitehall Departments. How can we ensure that the infrastructure plan is followed through with a coherent set of projects?



HOUSE OF COMMONS

Lord Agnew of Oulton: That is an incredibly important question, and the thing that I have focused on perhaps more than anything else in the few months I have been in this role. There is a process of different business cases: there is a strategic business case, there is an outline business case and then there is the full business case. The culture that we have to change in Whitehall is to get much more detailed engagement at the time of the strategic business case, so that when the idea is conceived there is proper rigour around the objectives of that project, the cost of it and the methodology that is being used.

At the moment that is happening too late, in my opinion, in the process and I am hoping that that will change. I think Nick will give you a little bit more information on how he is trying to change the guidance to Departments to get them to engage.

I see this in my commercial portfolio as well, and I do not mean to go off piste, but things are so tightly correlated where spending control decisions come to me in the Cabinet Office and they arrive too late. They arrive at the point at which all the main decisions have been made, so it is very hard to be a critical friend, to challenge the thinking that has gone into it, because the boat has pretty much sailed. I want to move that whole process upstream, so that we can have those conversations at a point at which decisions can be properly debated and changed if necessary.

Q67 **David Mundell:** What co-ordination is there with the devolved Administrations, particularly in Scotland and Wales? I recently noted the UK Government made an announcement about upgrading the A1 to the border between Scotland and England, but as far as I am aware there are no plans to upgrade the A1 between the border and where it is currently dualled in Scotland. Is that not something that should be being done as part of a National Infrastructure Plan to ensure that there is that level of co-ordination?

Lord Agnew of Oulton: It is a good idea, but I think that IPA's remit is an English remit, so that we are very conscious of observing the devolved authorities' autonomy in their projects, but we would always be keen to collaborate as much as possible. It goes to my opening point about that collaboration at the strategic business case stage.

Q68 **David Mundell:** Yes. I understand where the devolved responsibilities lie but we do not want to operate—as I have seen some states in the United States operate—in such a way that the map stops at the state boundary and there is no awareness of what might happen on the other side of it. Surely, when we have a title of National Infrastructure Plan, we should be thinking of the whole of the United Kingdom, even though devolved responsibilities mean that the decision making is elsewhere.

Lord Agnew of Oulton: I think you are right, and I am sure we could do better at that.

Q69 **David Mundell:** May I ask the Financial Secretary: what is the role of the



Treasury as a gatekeeper to check projects that contribute to national infrastructure?

Jesse Norman: Again, it is a key question. The way in which I tend to operate with Theodore, I think of it as total football in which we are both supporting each other, and he is in the Cruyff role and I am Neeskens running in behind him. I think the answer is that from a Treasury standpoint there is a difference. We obviously both have a line in to the IPA. I tend to focus very heavily on the financial side in due course as projects get to that stage. Of course, Theodore has a very wide set of responsibilities that sit alongside this but are quite contiguous in relation to procurement and the like.

Where we share a lot of thinking is on project delivery, quality of work being done, quality of business cases, and if there is one topic on which I am famously dull it is the absolutely central importance of improving Government as a client on these projects. Nick has touched on that already, but to me that means having civil servants and Ministers who really know what they are talking about and can put themselves in the position of acting as an intelligent interlocutor to contractors and to supply chains to say, "Is this project well-conceived? Is it going to hit the outcome? How does it bear on the evil fact that the reference class for these projects is very often 30% late and 70% more expensive, and can we try to improve the accountability and the business cases, the value for money that goes alongside that?" As you can imagine, those are the central concerns of the Treasury—always have been and always will be.

Q70 **David Mundell:** I will resist the temptation to get drawn into some analogy with Scotland's defeat of Holland in the 1978 World Cup final. Instead I will follow up by asking you, Financial Secretary: the IFG has said that previous infrastructure strategies provide a long list of policies but no sense of how they would fit together, so how is it going to be different this time?

Jesse Norman: There is some merit in that claim, and it is important to have a sensitive strategic inner strategy alongside the individual projects, even though—inevitably, in our political system—it is the projects that tend to catch the eye and grab the media attention. He cannot say it himself, but in Nick Smallwood we have an absolutely world-class person running the IPA now.

The reason I am so excited about that is because all the really dull stuff—you will recall I have been very tedious indeed on this in the question in relation to the PFI for many years—all the important background work of making sure that people are properly accountable, that there is a designated SRO for each project, that the business case has been properly fulfilled and thought through, that the value for money is appropriate, all that stuff is completely central to an effective pipeline. That is why it is important to have that alongside a more strategic sense of where we are investing.



HOUSE OF COMMONS

One of the things I will say is that the effect of trying to think about sustainability is often to tie different parts together, precisely because you are trying to explain how a given infrastructure now might support an energy-enabled greener world in the future. That is a system in its own right and, therefore, forces people to think more strategically about the different components of it, and I think we have done over the past few years.

- Q71 Ronnie Cowan:** Lord Agnew, you heard a brief discussion there between me and Mr Norman about big green projects. Do you think it would be more appropriate if the National Infrastructure Commission had more power over the role and decided which projects should be taken forward, as opposed to making them political footballs quite often?

Lord Agnew of Oulton: At the core of achieving a carbon zero approach to infrastructure are modern methods of construction, which is essentially building a lot of the infrastructure in factories and delivering it to sites. That makes an enormous improvement in the carbon footprint of the construction work. The quality of the insulation can be achieved to a much higher level in a factory. The disruption on the site for communities and so on is far lower, so I am a huge fan—

- Q72 Ronnie Cowan:** The question really is: should the National Infrastructure Commission have power over those projects rather than them being used by successive Governments?

Lord Agnew of Oulton: Sorry, I am a bit deaf. I did not quite hear your question.

Ronnie Cowan: Should the National Infrastructure Commission be more powerful in deciding which projects go ahead and, therefore, which projects are greener, rather than leaving it up to political parties to do this?

Lord Agnew of Oulton: That is where we are back into politics and democracy and we have to balance all the competing demands for a particular project. We have been very public in our statement of net zero by 2050. We are doing a huge amount to work towards that, but I think we also have to be aware of the levelling up agenda that was central to the Prime Minister's campaign and the broad recognition that there are parts of this country that need infrastructure that have not had it. All of those have to be balanced. I think Jesse was going to say something.

Jesse Norman: I think we have quite a good balance. It is an evolving balance, but I think we have quite a good balance because the National Infrastructure Commission, of course, publishes its own reports independently. It has a very expert board of commissioners, as you know. You have had testimony from the new head of it, as well as Sir John, and the effect of that is that it essentially is in a position to mark the Government's card in different ways.

As soon as you start to give it specific responsibility for projects, it then becomes a political entity in its own right rather than an expert entity, and



HOUSE OF COMMONS

to some extent it takes the pressure off the politicians and the civil servants, which is where that pressure should properly be exercised. I do think there is a balance to be struck between those two things. We broadly have it right, but inevitably it will evolve, and I think it will evolve in a way that makes the relationship a bit tighter and a bit more accountable.

Q73 Ronnie Cowan: Thank you. I am certainly not trying to make it less accountable, Mr Norman.

Jesse Norman: Paradoxically, that might be the effect of the suggestion that you are adumbrating.

Q74 Ronnie Cowan: I will take that all on board. Again, to Lord Agnew, who ultimately has responsibility for ensuring that major projects support the goal of the National Infrastructure Strategy?

Lord Agnew of Oulton: It is a political responsibility, so if a project initiates in an individual Government Department it is the accounting officer with his or her Secretary of State and then it will go through the Government's process that will involve the IPA and the Treasury. These projects have to start in a Government Department because that is where the accountability ultimately has to lie.

Q75 Karin Smyth: Following on from earlier comments about the amount of infrastructure development in London and the need to look across the country, Lord Agnew, what are the Government doing to try to understand the difference across Britain?

Lord Agnew of Oulton: Again, it is back to our political system and the accountability of MPs and constituencies. What the recent general election result has done—although I am sure not welcomed by everybody—is send a very powerful message to a Conservative Government that there are large parts of this country that have not been heard properly on the infrastructure requirements over the last 25 years. That is one of the reasons driving us to go to those areas and look at them much more carefully. I think there is just a common decency, when you govern for a whole country, to ensure that we are providing the infrastructure and support to the whole of that country.

It has been too easy, over the last 20 years, to put stuff into London because on some metrics the returns look better. We have paid a big price for that because London has become an incubus that has sucked energy from the rest of the country and—as someone who is a provincial person at heart—I object to that and I want to see a reversing of that. I want to see the energy harnessed in those communities to bring wealth and job creation in those places, not those people having to come to London.

Q76 Karin Smyth: I am a West Country MP—and I will not go on about a lack of infrastructure in parts of the west and the south-west because that would be inappropriate—so how are you understanding the different demands from different parts of the country, which are in themselves quite different? Those challenges are different. Are you saying that as a result of



HOUSE OF COMMONS

MPs like me saying what the problem is? There must be other ways in which you channel—

Lord Agnew of Oulton: You play a very important role in that process, if I might say that. I am not an MP, but I think it is part of your responsibility to bring to the attention of the Government those areas where infrastructure can work. But it cannot be just pork-barrelling. It needs to be rooted in logic and in a commercial case that can show the benefits that will flow from that.

If you take another area that I am involved in—again I do not mean to stray from the brief of this sitting—one of my jobs is to get civil servants out of London over the next five years, because I want to see decisions made in the places that the people are affected. I come from Norfolk, which is the grain basket of Britain. DEFRA officials should be in Norfolk, in my opinion, making decisions about agricultural policy, but they are not closely enough connected to the impact of that policy. Part of my role would be—I hope over the next five years—to see civil servants in the areas that need the help, because it actually makes it much more real and human for all involved.

Q77 **Karin Smyth:** In our case, for example, we have a city Mayor, a regional structure as well as the wider west and south-west economy, so where do you go to for those decisions?

Lord Agnew of Oulton: Again, we are back to the politics and the constitution of our country. That is always going to be messy, as we all know. Where possible, where one voice can come forward to represent regionally those particular groups you have mentioned, clearly that gives it a more powerful message.

Q78 **Karin Smyth:** Did Mr Norman want to come in on that point?

Jesse Norman: I wanted to add a couple of things in support of Theodore. Of course we need to distinguish between the understanding of needs and the means by which infrastructure is delivered. Sometimes those are the same and sometimes they aren't. In the area of transport, for example, we have lots of transport authorities up and down England feeding into the Department for Transport and we have quite a well calibrated understanding of the capability and needs of those areas, based on those assessments.

Where you have areas where there are overlapping jurisdictions, it is obviously most helpful if they can all come together to agree a common plan by which infrastructure can be delivered to the general benefit and advantage. Of course, the bigger the project, the bigger the attention, and that is something we have seen, for example, in some of the metro mayoralities where there is a devolved transport responsibility.

For example, the Transforming Cities Fund has been enormously successful in places like Birmingham and Manchester, and I am pleased to say that when I was the Minister for cycling and walking, we shovelled a lot of



money into Manchester to support Chris Boardman in the cycling and walking work that they did there. I think that is potentially transformative for that city.

Of course, Bristol is a great cycling and walking city and we have put some money in there as well. Therefore, the needs issue—you have those local needs but you also have a wider question and, from a Treasury standpoint, we think very hard about the regional needs across the whole of the UK as well as across England.

There is a National Infrastructure Assessment that sits alongside the National Infrastructure Strategy to which the Government need to respond and, therefore, it is absolutely up to the National Infrastructure Commission and others to draw attention to areas where they think the Government may not have fully understood the need.

There are a whole range of different ways by which important local, regional, and national priorities can get put on the political agenda for discussion and then hopefully for formulation, project creation and implementation.

Q79 Karin Smyth: Lord Agnew and Mr Smallwood, we heard that the Government often decide what they want to build and then work backwards to fit the benefits. How do you think that approach should be combated?

Lord Agnew of Oulton: Picking up on my earlier comments, this comes back to the whole issue of having a strategic business case and then building out from there and not building backwards. I agree—I accept that that probably happened too often in the past, but it is certainly something that I am trying to change, so that we make decisions based on a rational business case early on, and so that we have not just policymakers in the room but commercial people, infrastructure people at the same time, so that there can be some moderation in what might otherwise be potential white elephants. I will let Nick go into a bit more detail.

Nick Smallwood: There is a great opportunity to strengthen our assurance processes in this space. You should take forward a benefits realisation plan for every project. At the various stage gates that we already have there is an opportunity to really be disciplined in checking that those benefits are to be realised, really checking that we have credible implementation plans for the project and credible cost estimates and schedules to deliver against.

Those assurance stages can be in place at every single gate and then, as far as benefits are concerned, we should be checking as we go through the project delivery and beyond. We have what is called a gate five, which is after the project is completed and is into operation, and it is good practice and discipline to then go to check that those benefits expected continue to be realised through the life of the project.

Q80 Karin Smyth: Witnesses have told us that there is a time issue here—that



HOUSE OF COMMONS

the Government are keen to announce things and the good news without really assessing those needs. What do you think needs to change, in terms of the timing for some of these decisions, to not let that happen?

Nick Smallwood: Maybe I can kick off here. There is a real opportunity to improve what we promise against projects. I find it frustrating that we make point estimates and point dates to deliver a particular scope, when we have not actually defined what that scope contains.

From a project perspective, you should always be clear on the detail of the scope and you should always give a ranged estimate. To a project professional, every estimate will have a level of confidence and accuracy around it: is it plus or minus 10%? Is it plus or minus 20%? When you get to the final business case it would be reasonable to expect something to have a plus or minus 10% accuracy. That is your range. Then you would have to determine what the level of confidence you have around it is in terms of probability. Is it a P50, an equal chance of over- or under-running, or do you have higher probabilities around it?

We have to bring back that discipline at every single stage gate, from SOBC onwards, and challenge the Departments to have done the necessary scope development and cost estimating that go with those levels of confidence. Then you have an opportunity to calculate what the real benefits are because, of course, if you make the point estimate and a good statement of benefits and your estimate is completely flawed, your benefits will be completely flawed as well. This area is all interlinked and goes together and I think there is nothing wrong with our process. It is the discipline that we put around it to deliver better outcomes.

Q81 **Karin Smyth:** Just to be clear, Mr Smallwood, is that what you see as IPA's role in assessing those initial business cases?

Nick Smallwood: IPA has an opportunity to organise all the Government Major Projects Portfolio assurance reviews at the various approval gates, so, yes, we have a really good opportunity at those assurance reviews to have the discipline of stating: do we believe that the cost estimate, the schedule and the benefits are credible and correct?

Q82 **Karin Smyth:** You will be doing that at the outset?

Nick Smallwood: We will.

Q83 **Karin Smyth:** Thank you. Lord Agnew, do you want to come back on either of those two points?

Lord Agnew of Oulton: No. I would very much support Nick in what he is saying. It is the cultural change. It is getting these decisions through into the IPA quicker, and that will bring a lot more discipline, in my view.

Q84 **Karin Smyth:** That cultural change presumably applies to politicians as well as internally in the teams; would that be correct?



HOUSE OF COMMONS

Lord Agnew of Oulton: You are right. It is human nature, isn't it, for a politician to long to make a good news announcement. We had government by podium for too long, in my opinion, and this is a microcosm of that, and we are going to try to stop it.

Karin Smyth: Thank you.

Chair: A very, very salutary point there, Karin, on which note we go to John Stevenson, please.

Q85 **John Stevenson:** Financial Secretary, the Prime Minister stated that there would be changes to the "Green Book", something that is greatly anticipated by many of us in the regions. What do you anticipate those changes looking like and what difference do you think they will make?

Jesse Norman: That is a wonderful question. Before I get into that, can I just say how much I endorse and support what has just been said by Nick and Theodore? Having a hard budget constraint in the form of built-in points of resistance to political overexuberance is an absolutely essential part of running an effective pipeline.

On the "Green Book" issue that you raise, John, I should say that this work is not being led by me. It is being led by the Chief Secretary of the Treasury and I am not sighted on it. I have written about the "Green Book" in the past quite a lot, so I can give you a more general understanding of it.

There are several sets of concerns, but one concern might be that discount rates are set in a way that make it impossible for projects ever to show a genuine return because the rate is too high. That would be one concern. Another concern would be that actually you should not have a single discount rate across the whole country because different parts of the country, as part of a levelling up agenda, it is sometimes suggested, have a different project characteristics and different project benefits. Then the third kind of attack or concern would be that the process of building business cases is somehow skewed towards areas of existing higher development because the returns will be higher in those areas.

I went into this in some detail when I was a Minister at the DfT, at Transport, and I am sympathetic to both the first concern and the third concern. I am not very sympathetic to the second concern but a worry that the interest rates might be too high, that is a genuine worry; it is a technical worry as well as a political worry and it should be properly assessed as such.

On the business case, there is less evidence than one might think that projects are being discriminated against because they do not have the returns, as it were, already building on existing economic activity. In the case of London, it is sometimes forgotten that London does have an enabling effect to the rest of the country and the intellectual challenge is: how do you strip out that capital city gateway function from what you might consider its appropriate share of other resources? That is the nature of the argument and it is a very complex and difficult one to address.



When you look more widely around the country, I have separately said that I think that it is really important that we—as part of a devolution agenda and as part of an understanding of project appraisal—think about infrastructure in terms of identity as well as in terms of economics. Because identity, a place thinking of itself as special because of a piece of infrastructure, because people have invested in it locally, emotionally as well as financially—that really can drive high levels of entrepreneurship and significant social change. I think the “Green Book” agenda is going to have to be shaped by an understanding of some of those identity economics views about what the best way of constructing an economic case is.

You need to distinguish that bottom-up approach from what you might call the fake identitarian view of some of the millennial projects—“A place historically had something to do with X, so let’s plonk a big piece of kit there and not ask the question: how are people going to use it and what would the economic case be?” I am thinking much more in terms of locally generated—I will give you a little example very close to home in my own county, in Herefordshire. The biggest project we have going at the moment is this university—New Model in Technology and Engineering. It is a radically new kind of tech and engineering university—

Chair: Financial Secretary, I am—

Jesse Norman: I will just finish, if I may. Lots of local people are invested in it, but the reason is because that will generate economic returns and the Government supported it for that reason.

Q86 **Chair:** Sorry, Mr Stevenson, could I just ask a quick supplementary of the Financial Secretary? I was loath to interrupt his flow as ever, but if I could just ask: why does not the responsibility of the oversight of the HM Treasury “Green Book” rest with you? If that is the holy text and you are the high priest—as has been outlined earlier on—with regards to the interconnectedness of decision making in terms of Government major projects, why does that not rest with you? Surely, Financial Secretary, it would bring the whole thing together in harmony.

Jesse Norman: The answer to that is: if you see it from the point of view of a National Infrastructure Strategy, there is certainly a case for a “Green Book” approach, which of course we will agree across Ministers but be very closely tied into that. It makes a great deal of sense to leave it with the Chief Secretary to the Treasury because he is responsible for spending overall, and so since the “Green Book” will be about the overall package of spending that we make and value-for-money judgments, not just about major infrastructure projects, there is an inner logic to leaving it with him.

As I say, we work very closely together as a team across the Treasury and so, when it comes to agreement of the final position, we would certainly all expect to have quite a view on that.

Chair: Thank you. Sorry to interrupt you, John.

Q87 **John Stevenson:** That is fine. Just to finish off on this from my



HOUSE OF COMMONS

perspective, I understand what you have just said but what is the time scale for changes to the "Green Book"?

Jesse Norman: To the "Green Book"?

John Stevenson: Yes. When are they likely to be implemented?

Jesse Norman: There are two things: when will we reach a view, and then when will that translate into implementation across Government? The answer is I don't know what the timing is. It is set by the Chief Secretary, but I would imagine it will be—what should I say?—in the not too distant future. That is a Treasury formula. I am loath to tie his hands, as I am sure you will understand. If you write to him I am sure he will give you an answer.

The other thing I would say is that it will then inevitably take a bit of time to work its way through the system into local government procurement and other forms of infrastructure development.

Q88 **Chair:** Thank you. We may have to invite him into the Committee room. Lord Agnew, do you have something to add there?

Lord Agnew of Oulton: I am not, I am afraid, going to be able to give you a specific answer on the date of the review of the "Green Book", but I just wanted to add a supplementary piece to the jigsaw, which is through procurement. We are about to issue a Green Paper, not in any way connected to the "Green Book" but in that Green Paper we will be pushing the idea of social value as part of a procurement, which is very much linked to looking at the value of infrastructure in places other than, say, London. We will be judging the value of bids partially on the social value that they contribute to the contract rather than just the harsh commercial metrics.

Q89 **David Mundell:** I wonder whether the Financial Secretary agrees with me that the "Green Book", as currently construed, particularly prejudices rural areas. While I was Secretary of State for Scotland, dealing with city and growth deals across Scotland, I was particularly frustrated by the Treasury's approach to some of the projects that were in areas of low population where infrastructure had a much higher cost, inevitably, because of remoteness or other factors. I hope that any revision of the "Green Book" will actually—I think following some of the points Lord Agnew has just made—remove what appears to me to be an institutional bias against projects in rural areas.

Jesse Norman: That is a central issue to be addressed as part of the work that is being done in that area, and of course were there a structural bias that would itself then open up an interesting question about how that should be corrected and how a fairer balance should be struck. I should say that there are an awful lot of projects for which this does not really bear.

If you ask Nick, I think he would tell you that the central problem with many of these things is getting a high-quality value-for-money business



HOUSE OF COMMONS

case that stacks up, independently of the “Green Book”. The “Green Book” is an important issue but it is important not to fixate on it. I will give you an example. Very large infrastructure projects tend to have benefit-cost ratios of between 1.5 and 2.5 or 3. There is almost no cycling and walking scheme that does not have a benefit-cost ratio of six or seven times. They should all be built immediately, in economic terms.

Q90 David Mundell: I understand what you are saying about the “Green Book”, but I would suspect your own experience is that the “Green Book” does affect the Treasury mindset.

Jesse Norman: It is interesting. I am sympathetic to the concern. I have spent a lot of time talking about these issues with civil servants and they are acutely aware of the worry. It should be clear about that. Whether that awareness is translating into decisions is a different matter. Of course, as you know, one person’s “Green Book” error is another person’s wildly uneconomic and inappropriate subsidy. Therefore, one has to strike a balance between these two things, but I certainly think the concern is that there might be a structural skew away from areas of greater rurality with embedded higher costs.

The example I would use in Hereford is not actually an infrastructure case, but if you are a midwife in Hereford, across the county you might get to see three pregnant mothers a day and if you are in London you might get to see five.

Chair: That is an interesting example to use.

Q91 John Stevenson: Lord Agnew, I was interested in your comments about our political system and also decision making by local areas. Do you think infrastructure projects should be run locally or nationally?

Lord Agnew of Oulton: It depends on the size of them for a start. I am a huge believer in strong governance and accountability, and so whoever runs them or whoever conceives them and wants to take the credit for them should take responsibility for the creation of them as well. Therefore, I think it really will depend—and we are increasingly giving resource and authority to devolved regions, such as the Birmingham and Manchester areas, and I hope we will see more of that—as long as the governance is good. That is the thing that I obsess about because I see poor governance at every level of organisations. It can be a sweet shop; it can be the largest Government Department in the country. So I think that is what really matters but if it can be delivered as close to the people that are going to benefit from it, that would be my ideal.

Q92 John Stevenson: That is interesting. From your perspective, you see devolving real power, giving real responsibility, will lead to better infrastructure?

Lord Agnew of Oulton: As long as the governance is there to support it. That is the key. As you may know, I spent three years in the Department for Education overseeing the academies programme, which I was a huge



supporter of, and where the governance was great the educational improvements were fantastic; where the governance was weak, it was a disaster. The same will apply exactly to the question that you have asked me.

If you have a really good local authority with a strong chief executive, with good councillors who are challenging, and there are enough of them who understand about infrastructure, it will work beautifully; but if you have a kind of gerrymandering system with weak people, it will be a disaster. The advantage of this kind of structure—

John Stevenson: I take your point.

Lord Agnew of Oulton: —at the top of Government you have these mechanisms in place to call people like myself and Jesse to account, and I hope I will come on to something where I think you can help us later in the discussion.

- Q93 **John Stevenson:** If I turn that around and I said that you were a very strong authority, good governance, very able people, but they might turn around and say, “Well, the Government do not trust us and do not give us any funding to do the projects that we would like to do and we have demonstrated we do have that good governance that you are saying is very, very important,” do you think, therefore, the Government should start to think about giving funding to those areas that are of quality? How would you do that?

Lord Agnew of Oulton: To be fair, it does happen already, as I mentioned with these big mayoral areas and also with the LEPs—local enterprise partnerships. They are very much run through local communities of people, so I think it is happening. The best argument for more of that is to prove that one has done it well. It is about actions rather than words and so, certainly from my experience in Government, we will tend to support people who have done a good job.

Again, going back to education—and I was the capital Minister there as well—we would support a local authority or an academy trust on an infrastructure programme that had proven in the past that it was good at it. I had the ability to devolve responsibility direct to an academy trust for those that could prove the good governance and were delivering buildings at a good price and quickly, so the mechanisms are there, but I would just like to see people actually proving their worth before we hand them the keys.

- Q94 **John Stevenson:** Mr Smallwood, given what Lord Agnew has just said, do you see the IPA having a role in supporting local authorities to run projects in their areas?

Nick Smallwood: We could have a role in the future. Right now we have an arm’s length relationship. We do give advice to the largest authorities and specifically on infrastructure. The role of the IPA is to support the Government’s Major Projects Portfolio, wherever that sits. It is worth



HOUSE OF COMMONS

highlighting that we are delivering some of the largest and most complex projects not just in the UK but of anywhere in the world, so where the projects are unique and novel—and there are many of them in the Government portfolio—they are really challenging. If you look at the academic data, it will show you that the majority of those projects globally are not successful. Something like 75% of the projects run over on cost and schedule.

The converse is true as well, of course. Those 25% can be successful. I think it is really important that across Government we understand what it will take to increase that percentage across the Government Major Projects Portfolio. When you look at what it takes, it takes expertise, discipline, and skill in understanding what those projects need to deliver with excellence. There is a big difference between novel, large infrastructure projects and some of the projects that you would typically find in a local authority like housing, building, schools and so on, where there are good examples of excellent delivery in the authorities already.

Q95 John Stevenson: Financial Secretary, do you think the IPA should have a greater role in supporting local authorities?

Jesse Norman: I do not know the answer to that question. My own preference at the moment would be for Government to be supporting Nick and his team as they take greater control of the major projects portfolio and push through the transforming infrastructure programme. We can look at the relationship between the work they are doing on major projects and some of the work that is being done by local authorities, and of course mayoralities and others in future.

The general picture—of course you have to balance the economic return to a particular project, which is the case that will be made often by a local authority, with the equity issue of whether public investment should be fairly spread around the country. Inevitably, in a world that balances politics with economics, those things are going to trade off against each other slightly.

I would say that the Government's availability to support places where there is a relatively clear chain of command that satisfies the Government's concern and other governance processes that are sitting around that, which Theodore has talked about—where there is real leadership and long-term leadership, that is ownership of the project, where there is a clear plan that everyone agrees across party and across regions and a track record of delivery—the Government are very up for discussing meaningfully with those sets of authorities what they can do. Those are the preconditions to a successful piece of local infrastructure or regional infrastructure investment.

Q96 Rachel Hopkins: I will direct the question first to Mr Smallwood but then, Financial Secretary, please add your comments too. The IPA's written submission to the inquiry states that you are providing training to Ministers with large projects in their Departments. Can you explain what prompted



this and what practical difference it is making?

Nick Smallwood: Obviously, coming in new to Government and seeing a lot of announcements, point solutions, cost estimates without the scope developed, prompted a conversation that I had with the First Secretary. That suggested that for us to be successful in delivering these major projects—bearing in mind they are large and complex—the whole of the system across Government needs to work. That includes all the policymakers, the decision makers, as well as the Civil Service developing and delivering the projects.

We believe there is a huge benefit in helping Ministers understand the impact they can have, both positive and negative, in the various decision-making processes. For example, continuing to think that you can add late policy changes and scope changes to a project will have a profound impact, and the later you introduce those changes, the more costly they will be and the more impact they will have on delays.

Similarly, thinking that you can deliver something for a point estimate when we actually do not know what the scope is, is simply pipe-dreaming. Therefore, we have to work collaboratively with Ministers, with the heads of Department, to help them understand, as a holistic system, what are the right decisions to make at the right time to get better outcomes.

There is nothing wrong with the overarching system we have on Government projects. I think the gateway process that I have seen is robust. The challenge is around behaviours and understanding, and so we felt getting ministerial training, helping them see what some of our SROs appreciate in the Major Projects Leadership Academy, would be hugely beneficial and I am pleased to say we have great support to progress with that training.

Q97 **Rachel Hopkins:** Thank you. Any other comments?

Chair: I think the Financial Secretary wanted to add something.

Jesse Norman: Thank you very much indeed for the question. I came to this through an awful lot of work looking at the private finance initiative and why that had gone so spectacularly wrong in some areas. There are many reasons why that should be the case, but one of them is that these projects were very often conceived by people locally as prestige investments—a local hospital, a school, whatever it might be—with clients who really knew nothing about project management. They might have been a set of doctors or a set of well-meaning citizens for a hospital, who had no further experience necessary after that. It wasn't the beginning of a pipeline, if you like, and, therefore, they were just in it for the one shot and regarded themselves, rightly, as having made a great commitment in doing that.

But of course, the effect of that was that you often had terribly, terribly bad client behaviour—constantly changing their minds, scope creep, a willingness to meddle or intervene, and of course every project being a



HOUSE OF COMMONS

single example of its kind rather than using modular methods of construction in order to create really effective—and of course often not using the best international practices. In all the PFI rebuilding in the NHS, for example, I doubt if a single project in the 2000s drew on best practice in Norwegian hospitals in how to use space and manage cleanliness.

That issue then inspired me when I took over this job to say—and I talked about it before—“Look, we have got to improve the client function,” and 50% or some enormous percentage of the failure of a project is due to having a bad client. Therefore, with Theodore and with Nick as a very supportive head of the IPA, basically then I have said, “Look, we have to have this training for Ministers.”

I do not need to tell any MP in this room that there is no training to become an MP and people come to it in an enormously variety of different ways. Some people—a very small number of them—actually do have infrastructure and project management experience, but the vast majority don’t, and the vast majority of Ministers don’t. And Ministers inevitably try and pretend they knew it all along when they get into their jobs, and it is fatal; that is a fatal error. What we should be doing is saying, “Actually, this is an area where we really don’t know very much, and we are going to be clear about that. We are going to be Socratic in our understanding of our limitations, and we are going to learn and educate ourselves.”

If we do that, you suddenly start to build a much higher-quality function of scrutiny and interrogation. That then helps in two ways. One is that it helps the civil servants to exercise control in the gateway process that they are talking about, in project evaluation and in delaying while you get a really good project rather than charging ahead. The second thing it does, hopefully, is it exercises a bit more control over Ministers from just charging ahead with the latest idea du jour, because that is very likely to lead to some of the problems that Nick has already highlighted.

We now have a training programme. It has been slightly delayed by vovoid, but we have a training programme coming on stream and we have a clutch of Ministers in spending Departments involved. I am absolutely thrilled about that and I hope we will develop it and extend it and spread it around the whole of Government, and ideally the whole of Parliament.

Q98 Rachel Hopkins: Do you think that training will be enough to overcome the political incentives that push Ministers to make those quick decisions or overstate benefits and understate costs?

Jesse Norman: It is not for Ministers to overstate benefits and understate costs. Of course, there are supposed to be official procedures for constraining that; but it sometimes is the case that Ministers will proceed with a project before its true scope and cost and benefits have been well understood. That is a serious problem. One of the things that the IPA has to do is to make sure that it has robust gateway procedures that stop projects from going ahead if that is the problem.



No, I don't think it is ever going to cure these embedded issues of the political system because that is the nature of the beast. What it might do is lead to a longer-term and a more calibrated and a more thoughtful process, and that can only be good. Eventually, of course, we all benefit from it because good projects are getting built that have great public benefit.

Q99 Jackie Doyle-Price: I want to come back to this issue of government by podium, which I fully recognise. Perhaps to Mr Smallwood, bringing your commercial discipline to this question: in practice, there are obviously political reasons why Governments might take decisions to build particular infrastructure, and that is based on social objectives as much as a business case. What practical steps can Departments take to make sure that the business case does not over-promise to meet these political objectives and then under-deliver?

Nick Smallwood: It comes back to the point I made earlier about a robust assurance process. Certainly, since I arrived in the IPA we have done a number of things in that space. I have separated out the assurance team from the advisory team and we have progressed on an assurance refresh programme. Essentially, it is to become much crisper and clearer in the advice the IPA gives at a stage gate.

Later this month you will see the IPA's annual report published, and against each of the Government major projects in the portfolio you will see a delivery confidence assessment. They go from red, red-amber, amber-green, green. There is quite an array of colours there but there isn't a very clear objective statement that the project is ready to proceed, it is ready to proceed with conditions or it is quite simply not ready to proceed and there are serious risks. I think we have a role to play in quantifying what those risks are, so that if the decision makers do decide to go ahead they go ahead eyes wide open and we can hopefully quantify what those risks are in terms of cost and schedule risk.

I do not think that has been done before. I think we have sat behind a delivery confidence assessment figure/colour without doing that level of risk assessment, so it is a different challenge for Departments to face if they are told they are only ready to proceed if they fix things. It will be very different if they are told actually they are not ready to proceed—there is serious risk.

Q100 Jackie Doyle-Price: That is very interesting, because having seen many National Audit Office reports you can see that the quantification of risk at the beginning might have led to much better value for money. Do you think there is sufficient expertise across Whitehall Departments to deliver that?

Nick Smallwood: There is growing expertise. If I share with you some figures on the project profession, we are the third-largest profession across the Civil Service, 14,300 people. We have now put through the Major Projects Leadership Academy I think 570-odd people. We have a growing cadre of people who have been through the Project Leadership Programme,



HOUSE OF COMMONS

I think over 700, almost 800 people in that space. We have a growing profession, but more to do. I think we would like to see more SROs adequately trained and we would like to see more people in their junior years growing those project skills and contributing earlier in projects.

I don't think you can assure goodness into projects. What we want to get is clarity in the early phases. You will get excellence if you develop with excellence. I always use the term front-end loading. You can't turn the badly-developed project into a good outcome; you can only deliver the bad outcome. If you want world-class it all needs to be world-class at every stage. For my part I will be challenging the Departments to be ready at each gate. We are strengthening our advisory group to understand what green looks like. I have used the term "get to green" so on the one part I can be very disciplined and challenging on whether they are ready or not, but if they are not ready then what is it going to take to get ready, and we need to provide the advice to do that. So I am strengthening the IPA in that space as we speak.

Q101 Jackie Doyle-Price: That is very encouraging. Lord Agnew, you said earlier that there was nothing wrong with the process but the disciplines around it. The truth of the matter is that it is in the behaviour of politicians to make grand promises and promise large benefits. What can be done to encourage Ministers and officials to be more realistic and honest? It is as much about being honest about what the objectives are.

Lord Agnew of Oulton: You are right; it is a cultural issue and we are making a start on that with the training that Jesse has very much pushed for Ministers, which he began before I took on this role. I have volunteered to be one of the early students on this course. That might sound a bit trite, but this is the first training course I will have been on since 1989, so it gives you a sense of the importance that I attribute to it. It is a beginning.

The next thing though, I think is that you can help as a Committee by holding to account Ministers on projects where they have rammed things through overriding the normal proper governance procedures—the sort of things that Nick was just talking about. They have to know. I come from a brutal commercial background, so when I get into a problem that I cannot solve by being nice to people, the way to resolve it is to make it more painful to do it the wrong way than to do it the right way. So Ministers and politicians need to know that it will not do them any good, standing on a podium making a five-minute announcement, getting the adrenaline rush, and then picking up the pieces three years later. That is where I think you as a Committee can help enormously.

Chair: We can oblige by providing painful experiences, Lord Agnew, yes. Sorry, Jackie.

Q102 Jackie Doyle-Price: One of the difficulties is, of course, that Ministers are not generally around three years after they have made the announcement. The short-termism of a five-year Parliament is one thing; we have also had a lot of short-termism in terms of how long Ministers are in their roles. I



do not think it is trite that you are going through that training. Lead by example, because this is a real change of discipline that we need. Jesse, you wanted to say something.

Jesse Norman: To come in on that—and thank you, Jackie, it is a great question—I went on a section of the Major Projects Leadership Academy before we developed the curriculum for the ministerial training, and of course I am on the first guinea pig run as well, as you would imagine. I hope that it will come to the point where the first question that the Public Administration and Constitutional Affairs Committee will be asking is, “Have you been on the ministerial training course, Minister, and if not, why not?” because I think that will be the kind of initial accountability that gets everyone on the same page and starts to exercise the beginnings of the kind of discipline you are talking about.

Q103 **Jackie Doyle-Price:** Excellent. One final question to Mr Smallwood: you have already covered this to an extent, but you mentioned that we should be budgeting based on cost and time scales as ranges rather than point estimates. Do you think there is any risk in adopting that approach? Really I am thinking they almost become targets rather than budgets.

Nick Smallwood: I think we need to take stock from the best in the industry and what others would do. The reality is that an estimate, by definition, has a degree of confidence around it. You cannot escape that. It is how accurate did you develop the scope to put the cost together? That is a reality. Believing that you can have a point estimate and it is correct is simply wrong. I also believe that if you want to drive best value, understanding what the 50-50 outcome is likely to be rather than satisfying the “Green Book” P80 confidence limit and having that the figure that goes into the commercial marketplace is the wrong answer. You need a degree of commercial confidence; you need a degree of discipline in the project team to deliver with equal under- and over-costing; and we need to do a much better job in terms of the data that we use in Government to get better cost estimates. The IPA has started work to implement a benchmarking hub, a cross-Government data repository where we will be able to capture actual costs as well as true benchmark costs for components of Government projects. That is a discipline that I would expect in the private sector; we don’t have it yet in Government, but I think it is a huge opportunity to make a step-up on the quality and accuracy of the cost estimates that we put together.

Q104 **Karin Smyth:** I want to come back to something Mr Smallwood said about skills inside the system. I confess to being a board member through the 2000s and a project manager in the health service myself for some of that time. Their ability in delivery of PFIs and other projects across the country is a real issue. Not everything was bad; there were a lot of very good examples and well-managed projects, and of course there were also some very badly managed projects in the private sector. With regard to what Mr Smallwood said about skills in Departments, are you considering making sure that people have those skills and that discipline and the capacity within, for example, local health trusts, you talked about MATs, other public



sector organisations who are themselves delivering that are not part of the Civil Service?

Nick Smallwood: I think it is hugely important that we have the necessary skills, competencies, and capacity of resource in the various Departments. We have started work on the Government project framework against which we will be doing assessment and accreditation, so not just at the Major Projects Leadership Academy level but at four levels throughout the project profession. We have socialised that with the heads of profession in all the Departments now and we will be progressing with pilots later this year into full implementation by the end of the year. I would not be surprised if we see gaps and opportunities to increase capacity in key areas, but it is very different in the different Departments. There is quite a mix of policy-dominant Departments and delivery-dominant Departments. There is a mix of weak arm's length bodies and strong arm's length bodies, so we are going to look across the whole gamut and see where we need to strengthen.

Q105 **Karin Smyth:** My point is really beyond the Department remit into those local bodies on the ground—essentially what Mr Norman referred to as “the client.” Ultimately the client also needs to have the understanding and some of those skills in order to liaise back with the civil servants in those Departments, because otherwise the client will remain undercapacitated and underskilled in this area. Does your work extend to considering that fact?

Nick Smallwood: It absolutely does, yes. You have to have the requisite skills to operate as an informed client. It is essential. One of the principles that I referred to earlier on is being an intelligent client.

Lord Agnew of Oulton: I think you have hit upon probably the most important piece of the jigsaw, which is the people we call the Senior Responsible Officers. Every project should have an SRO and the brutal reality is that there are not enough of them and they are spread too thin. This is where I think you can help us as a Committee in challenging the accounting officers of Departments as to why they are not training and deploying more SROs. Frighteningly, 88% of projects do not have an SRO who is spending 75% or more of his time on that project—these are major projects. Most of those projects should have a full-time person on them; that is the truth of it. Wearing my commercial hat, when I get a spending approval request, as a standard condition of my approval—and these are not big or small IPA-type jobs, these are smaller things—I am saying I want the SRO nominated as part of the condition of the approval to spend on that project. This is another cultural thing, but this is one that goes to the Permanent Secretary or to the accounting officer, and it also goes down into the ALBs that report up into those Departments, so it picks up on the point that you made about the groups on the ground. They all float up somewhere and so the knack is to find the point in the organisation where you can apply the pressure to change the culture, and that is what I am trying to do.

Q106 **Karin Smyth:** I would agree that there is a cultural issue. It is true that



HOUSE OF COMMONS

my own colleagues, as well as Conservative colleagues, are very keen to strip out what they call “unnecessary bureaucrats”, such as in the health service—my own area. Those numbers are, and have been at different times, well-trained people that we need to be professional clients; they are not just surplus bureaucrats on the frontline. It applies to many other sectors, so that is a point for Mr Norman when he wants to strip out further numbers from those bodies. We need those people to be recruited to be good clients, and they are not frontline staff; they are really critical background bureaucrats, and I think that is a good term—to be those intelligent clients and SROs. I am sure Mr Norman agrees with me.

Jesse Norman: I do not think you have ever heard me follow the line of attack you are describing, Karin. I would say something much simpler, which is that in a well-run organisation the thing has been set up right from the beginning, so there is proper leadership, proper governance, and the people in the middle are working in a streamlined way to deliver the object of the organisation. It is when the people in the middle take over the system and you get that cut-off in information between what is happening on the frontline and the strategic direction, that you start to get serious problems. It is exactly the same way with running projects as it is with procuring public services.

Q107 **Tom Randall:** Mr Smallwood, looking at costs and calculating costs and benefits, would you advocate an approach like shadow cost modelling and are there any other approaches that you would encourage to reduce the risk of optimism bias at the outset of any project?

Nick Smallwood: Indeed. The “Green Book” gives some guidance on how to do shadow cost modelling. Where you simply have no costs available there is some good guidance on how you would approach it. There is reference-class forecasting, which is useful methodology, and I mentioned having benchmarks—having some industry benchmarks that guide you to what costs should be. I also think there are opportunities that we do not always pursue, which is to go to the market and get hard money bids in for goods and services. There is nothing to stop you doing that before you make an investment decision, so that you have some commitment from the supply chain and some certainty. It is a range of approaches that we need, depending on the nature and complexity of the project at hand.

Q108 **Tom Randall:** This Committee has been told that benefits are hard to forecast. What is the IPA doing to improve benefit forecasting, and how do you quality-assure any assumptions that are made?

Nick Smallwood: Our focus is very much on the quality assurance side of benefits realisation. The “Green Book” points the way that the methodology should be applied. That is for the Departments to do as they come forward with their business cases. Our job is to challenge and test those business cases. That is why I am so interested in the cost and schedule of a project, because there might be some good expertise that has done some really good calculations on benefits, but if the deliverability of the project is not



HOUSE OF COMMONS

sound, those benefits will be incorrectly stated. That is where we would come in at every stage gate and test the benefits realisation plan.

Q109 **Mr Jones:** I would like to ask Lord Agnew and Mr Smallwood about obtaining local buy-in to projects. The Institute of Government commented recently that effective public engagement can improve the quality of infrastructure decision making and reduce expensive delays to projects that local opposition creates. Lord Agnew, what should Ministers be doing to encourage that local buy-in to infrastructure projects and prevent those costly delays?

Lord Agnew of Oulton: It is a very important point and it is about winning the hearts and minds of that local community and getting them to understand the benefits of whatever the project might be for their community. A very simple practical idea, which does not happen nearly enough, is the building of 3D models of what the project will look like. That might sound very trivial, but it brings it absolutely to the level of realism for the people there. I agree with you that we need to do more about that to ensure that local communities are benefiting, but we also need to ensure that the people leading the opposition to a particular project are local people and they are not just Mr Swampy who has driven in from somewhere else. We want to hear from the local people and if they have objections then we listen carefully, but they need to be given the priority.

Jesse Norman: To very quickly come in in support of what Theodore said, there is a quite interesting real-world example playing out at the moment that the Committee might want to look at, which is with the Stronger Towns Fund. What MHCLG has said there is that there has to be a board, it has to be diverse and inclusive, it is private sector-led and projects have to be agreed and heavily consulted on and bought into at project formulation stage and then before the bid is sent in, so that hopefully that alignment between local concerns and issues and the sucking-up of the best knowledge locally takes place. They have also funded it with some capability-building money into local boards as well. It will be really interesting to see whether that rather intelligent approach leads to better outcomes.

Q110 **Mr Jones:** Mr Smallwood, would you like to add anything?

Nick Smallwood: Yes, I was going to add that an integrated stakeholder plan is a fundamental part of a successful project. It is a key ingredient to success. Hoping that you will get by without full engagement is fatally flawed.

Q111 **Mr Jones:** How do you differentiate between those concerned locals who may well have a lot of questions and want answers and the professional protesters who have over the years caused such delays to important pieces of infrastructure?

Nick Smallwood: It is one of the parts of good project management. You have to face all the challenges, both local constituents and non-government organisations. It goes with the complexity of some of the



infrastructure we have to put into the UK. We are a very dense island and lots of communities are impacted. If you want a successful project you have to have a plan to engage with all the key players.

Q112 Mr Jones: Mr Smallwood, you made a speech back in January in which you said, "Too often we let the people of this country down because our projects are late, cost more than planned, or fall short on their promised benefits." Why is it that projects go off track during delivery?

Nick Smallwood: I took that statement basis with my view of the Government Major Projects Portfolio at the time, where we clearly indicate the status against cost schedule and benefits, and we give them red, amber, or green ratings. From my perspective there were simply too many projects in the red, red-amber, and amber phase, which has low probability of confidence of delivering against promises. I think we can do something about that, and that is where I have highlighted a number of the changes that we are making to strengthen assurance, increasing the skills and competencies to give stronger advice in the IPA and be more disciplined at following the gateway processes. We have great systems in the Government. We have to apply that discipline more strongly and we need to make sure that our promises upfront are correct. Much of what you see on the Government Major Projects Portfolio colour-coding could be against unrealistic promises made in the early phases of those projects. It is a system-wide issue, which we need to deal with.

Q113 Mr Jones: What is the IPA doing to improve project management capability in the Government?

Nick Smallwood: As I mentioned earlier, we are introducing a new project management framework. We intend to have very thorough assessment and accreditation against external standards across all phases of the project profession, from the fast-streamers coming in, to those graduating to become SROs through the Major Projects Leadership Academy. The MPLA is recognised, I think, as being world-class but below the Project Leadership Programme we have very little, and we need to build a cadre of skills throughout the profession from the fast-streamers coming in. It is worth highlighting that we have a very healthy application of fast-streamers coming into Government who want to play a part in the project delivery profession, and we need to skill them up from the get-go to become expert.

Q114 Mr Jones: Would you agree with Lord Agnew that there is an insufficient number of Senior Responsible Officers?

Nick Smallwood: I do. I think they are spread very thinly and often not given sufficient time to do the job that is needed. It is a complex space, because the SRO might have occasions when they do not need to be full-time, but as you are finalising the business case or you are dealing with one of those complex projects with a number of external stakeholders it is a full-time role and to get the project successfully across the goal line will



HOUSE OF COMMONS

take full-time effort. I agree we need more, and they need to be well-trained.

Jesse Norman: I would add one thing. I would go even further. I would say that I do not think anyone should be able to enter the senior reaches of the Civil Service unless they can point to a year or two of operational experience in their lives. It might be in local government, it might be running one of the less fashionable but more operational parts of Government, like a chunk of Border Force or something in the police, but something real that points to that expertise. Those civil servants who have that experience are qualitatively different. You can see it in the work they do and it will make a huge difference in the longer run if we were able to build that into the system, so that it was not just a matter of people with elite education lily-padding from one job to another and into the top roles.

Q115 **Mr Jones:** Would that not cause some concern to some of our current Permanent Secretaries?

Jesse Norman: Of course they may end up being grandfathered in, but I am thinking more about the longer term. It is a very important cultural change as well as a skills and knowledge change.

Chair: I think Lord Agnew wanted to add something there.

Lord Agnew of Oulton: I wanted to add another bit that the IPA have the green light on, which is the negotiation on the exit of PFI programmes, so we are now approaching the first generation of exits and that is a highly technical job. In the Budget in March we approved extra resource for Nick to build a team to negotiate these, because this is an area of enormous risk to the Government if we do not handle it properly. We can easily get ripped off by these financial engineers who hold the PFI contracts, and they are clever at playing off small organisations, small local authorities or a hospital trust or something like that, in this process. Nick will be or is already creating a team that will be very much over that project over the next few years.

Q116 **Rachel Hopkins:** To Mr Smallwood, what should happen to a project if benefits are reduced during delivery?

Nick Smallwood: I think it is a challenge that comes at the stage gate for the SRO and the decision makers to revisit the project. Does it meet the required outcomes and expectations? IPA does not make decisions on investment; that is for the Treasury and the Departments.

Q117 **Rachel Hopkins:** If the benefit changes when you are reviewing a project, what action would you take where these changes have happened during the project?

Nick Smallwood: They would be reported at the various stage gate reviews that the IPA undertakes, and we would make those very transparent and visible at the stage gate review. That would be fed into the decision point at that gate.



HOUSE OF COMMONS

Q118 **Rachel Hopkins:** How would these changes and benefits be communicated to the public?

Nick Smallwood: Every year we publish our Government Major Projects Portfolio annual report, and you will see in there that there is commentary on all the projects where there have been changes. The Departments from time to time publish public data that is transparently shared with the public. I think we are probably more transparent than just about every other Government in terms of the data that we share on the Government Major Projects Portfolio.

Q119 **Rachel Hopkins:** In terms of the GMPP, why does the IPA not report these changes, and what could the IPA do to communicate them better?

Nick Smallwood: Can I better understand your question?

Rachel Hopkins: With the Government Major Projects Portfolio, do you report those changes where there have been changes in the projects?

Nick Smallwood: The report indeed covers all the projects on the Government Major Projects Portfolio. There is a commentary on cost schedule and benefits, yes.

Q120 **Karin Smyth:** Mr Smallwood, we have touched a little on this, but what is the IPA now doing to improve learning lessons from failed projects?

Nick Smallwood: It is a huge opportunity to learn across Government projects, given the scale and scope. We have recently done a deep-dive exercise with the Department for Transport and the IPA looking at lessons for transport and sponsorship of major projects. We uncovered 24 lessons, many of which are relevant across Departments outside of DfT, so we are now actively sharing those. I am also building a lessons-learned process into our assurance processes, so there is no reason why we cannot learn as we go as well what good looks like and take not only lessons where things have not gone well, but lessons where things have gone well and more readily share those across similar types of projects, whether it be infrastructure, IT or transformation or MoD. We have not done that systemically in the past. We are moving to do it systemically as we go forward.

Q121 **Karin Smyth:** Are there some Departments that are better than others?

Nick Smallwood: As I said, DfT stood up with some serious question marks about the Crossrail project, and we did quite a detailed piece of work. It spanned over many months. The report was published last year, and they are very actively following up on all the lessons and deeply embedding them in the linear infrastructure projects for which they are accountable. They are doing a really good job. I think DfE are looking at the Future Schools programme to learn how, given a commitment in the pipeline from the Treasury to build over an ongoing period, they can learn how to take costs and schedule out and become more beneficial to the public as they build more schools.



HOUSE OF COMMONS

Q122 **Karin Smyth:** How does the lesson that has been learned get passed on to the next Department? Take us through that process.

Nick Smallwood: My experience is that no amount of database and paperwork cuts it. You have to test and challenge and go, look and ask for evidence that the respective projects have embedded a lesson. If it is about, for example, "Have you considered external stakeholders?" it is about going and looking and having evidence that they have engaged with all the key stakeholders, that they have the map, that the work has been done and you can tick the box that the work is done. Our focus will very much be on building into the assurance programme that we go and look, and we test that the right lessons have been embedded in projects going forward.

Q123 **Karin Smyth:** You mentioned a couple of Departments there. Do you want to add anything? Would you have a priority area of concern? It is good that the Department for Transport stood up and I think we would commend that openness. Are there other Departments that you were worried about?

Nick Smallwood: I would not say worried, but I think there is opportunity for improvement across the whole of Government projects.

Chair: Before I bring Tom Randall in, I am going to thank the Financial Secretary for his participation in proceedings. I think he may disappear shortly for Treasury questions in the House, but thank you very much indeed, Financial Secretary.

Q124 **Tom Randall:** Lord Agnew, once a project has been completed and the lessons are learned, if it is found that a project did not deliver as intended once it is completed, who should be held accountable for that?

Lord Agnew of Oulton: It is a very difficult question. What are the aims that are being sought from the project? Events can change, so I think that, rather than going on a witch hunt, we need to be careful about what facts have changed since the project was originally conceived. I would be cautious about that. One of the things that I have implemented on my commercial side, which leaks into projects as well, is a requirement for ongoing quarterly reporting of the project after it has gone live, so that the policy people who came up with the idea do not just walk away. They need to be kept absolutely with their feet to the fire as the project moves forward into its live status.

Q125 **Tom Randall:** Mr Smallwood, following on from that point, once a project has completed, should it remain on the Government Major Projects Portfolio, so that the benefits can continue to be reviewed by the IPA?

Nick Smallwood: I would like to see them on there for at least the first Gate 5 gateway review, and if that is healthy I think it is an appropriate time to come off. We have a number of projects joining every year and a number leaving. I do not have the resources to have an endless stream of projects. I think there is an appropriate time when there is a diminishing return from having our review. Certainly, a rigour around Gate 5 reviews is something we should encourage.



HOUSE OF COMMONS

Q126 **Chair:** A final set of questions from me, if I may, to Mr Smallwood. You mentioned in terms of the buy-in of a local community, a local area to a project, but what are you doing at the IPA to make information on projects more freely available in the public domain?

Nick Smallwood: As I said, I think we should be proud of the Government Major Projects Portfolio and the annual report that the IPA does publish. We have a transparency policy agreed with the Treasury on the Government's website and I think more than any other Government we have published quite a bit of open information at the annual review point. That is in addition to the information that various Departments share on their individual respective projects.

Q127 **Chair:** In the context of our earlier discussion about the training available to Ministers and the encouragement that you give them to take that training up, is there anything to train parliamentarians in the sense of how they might go about fully understanding that data and the information that is available?

Nick Smallwood: I think we certainly should train them in the important elements of project delivery, which is in the plan. We are going to see some information coming shortly, with our annual report, around the project principles that I referred to earlier in the discussion, where we are going to be clear on what are the key principles—the fundamentals that you should be adhering to and relate directly to better project outcomes? We will be sharing those in our annual report as well.

Q128 **Chair:** Sometimes the data perhaps inexplicably changes from one year to the next. Is there anything more that you can do to make clear the reason why there might be a change?

Nick Smallwood: My understanding is there is a good commentary within the report on where and why changes have happened, and those notes are provided to us by the Departments.

Q129 **Chair:** Do you, or should you, publish timelines on project data?

Nick Smallwood: Timelines? I do not see any reason why we should not have project schedules published.

Q130 **Chair:** A final question: is there anything else that Departments should be publishing in their annual reports and accounts with reference to this matter?

Nick Smallwood: No, I think we have a pretty transparent system.

Chair: Thank you, Lord Agnew, and Mr Smallwood. I also thank the Financial Secretary, who has left for Treasury questions, thank all Members of the Committee for their questions and thank the staff, the clerks and particularly the broadcasting team.