

Public Administration and Constitutional Affairs Committee

Oral evidence: Civil Service effectiveness, HC 497

Tuesday 7 November 2017

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Watch the meeting

Members present: Mr Bernard Jenkin (Chair); Ronnie Cowan; Kelvin Hopkins; Dr Rupa Huq; Mr David Jones; Sandy Martin.

Questions 1-117

Witnesses

[I](#): Catherine Baxendale, independent HR consultant.

[II](#): Sir Amyas Morse, Comptroller and Auditor General, National Audit Office.

Examination of witness

Witness: Catherine Baxendale.

Q1 **Chair:** Welcome to this evidence session on civil service effectiveness. We are very pleased to welcome our witness this morning. Could you please identify yourself for the record?

Catherine Baxendale: I am Catherine Baxendale.

Q2 **Chair:** We have invited you because you wrote a report for the Government in, I think, 2015. It is mainly about how external hires are brought into the civil service, but you drew some wider lessons from the research you did. Could you initially describe what the circumstances were that led to you being commissioned with the report?

Catherine Baxendale: I understood that the project was being advertised on the Government website and that the Cabinet Office was very interested in finding out the process of how external hires were recruited, inducted, welcomed and absorbed into the organisation. There was a very interesting brief on the Government website, and I took part in a tendering process run by the procurement agency.

Q3 **Chair:** We are interested in all this because we are conducting a wider inquiry about the whole of the civil service, which involves three blue sky firsts. First, an external inquiry is being conducted into the civil service with the co-operation of both it and the Government. That has never



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happened before—even the Fulton inquiry was resented and resisted by the civil service. Secondly, this inquiry is looking at the very sensitive area of relationships between Ministers and officials, which was, to a certain extent, the subject of your own research. That has never happened before—the Fulton inquiry was banned from looking at the relationship between Ministers and officials.

Thirdly, we are conducting the same kind of process that you demonstrated. We have Professor Andrew Kakabadse, who is working independently, conducting interviews with officials, Ministers and Spads, and former officials, Ministers and Spads, to gather data that have never been available to a Select Committee before, so that we can base the findings of our report and recommendations on evidence that has never been made available to a Select Committee before. Can you summarise the main points of the recommendations you produced and tell us how they were received?

Catherine Baxendale: Sure. Just to offer a clarification on timing: the procurement process was circa May 2014. My field work was in June/July 2014—that is relevant in terms of timings—and my report was finished in September 2014. It was quite an intense period, with 54 interviews and 56 questionnaires, so incredibly rich data. It was not published until May 2015, just before the general election. That is quite interesting, because the work was done very comprehensively and quite intensely but there was quite a long period of time before it was released.

Q4 **Chair:** Why do you think that delay took place?

Catherine Baxendale: It was not necessarily explained to me. I know that the Cabinet Office felt that there was a real urgency to the work, which is why I make the point. I carried out the work—making it an incredibly important priority—in order to get the report done by September, because I spoke to many people who felt that things could be improved quite quickly and simply if action was taken speedily. It was of some frustration that it took until the May for it to be released and then, with the general election, things went into pause mode. I was not spoken to officially after that because obviously everything changed. Officially, I did not get a response about my going back to the civil service, which was one of my important recommendations—that six to 12 months after my work I would go back to the people to find out if conditions had changed positively.

Q5 **Chair:** Who actually commissioned your report?

Catherine Baxendale: The Cabinet Office Minister.

Chair: Francis Maude?

Catherine Baxendale: Yes.

Q6 **Chair:** How thrilled do you think the rest of the civil service was that you had been brought in to do this work?



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Catherine Baxendale: To be fair, I had utmost co-operation from the civil service. Jeremy Heywood's team were incredibly helpful in ensuring that I had access to lots of different people. They were understandably very keen to ensure that my report was very balanced, fair and proportionate. I tried very hard to ensure that that was the case, and I think the result is a balanced report on what I found. There were probably a lot of other priorities going on at the time that meant there was a bit of a delay in publication, but I know that they felt the work was important. Many civil servants who I was working with felt that many of the recommendations I was making were just as relevant for people who were developed through the civil service as for people hired externally.

- Q7 **Chair:** Your recommendations were about the need for better leadership, a shared agenda for change throughout the civil service, clarity about the roles and purpose of people being brought in, and greater formal and informal support. What did you feel about the Government's formal response to your report?

Catherine Baxendale: I felt that the breadth and depth of my findings and recommendations were not necessarily completely reflected in their response. To be fair, it was a good first start and I was hopeful that it would be the beginning of a change agenda and some follow-up work to ensure that the positive improvements had actually made a difference to those people.

- Q8 **Chair:** Why do you think that the Institute for Government's Jill Rutter described the response as "entirely inadequate"?

Catherine Baxendale: If you look at all the recommendations, their response did not meet all the recommendations and suggestions that I made, so I can understand why Jill said that.

- Q9 **Chair:** How has the Cabinet Office engaged with you and your report since then?

Catherine Baxendale: There has been no official contact. I have tried to make some connections, but obviously there have been personnel changes, as we know, and it may not have been their top priority. I have had no official contact with the civil service or Government since my report. My only connection has been through PACAC, the Institute for Government, which is obviously very keen, and some interested parties such as Peter Hennessy and Anthony Seldon.

- Q10 **Chair:** I think your report has changed the conversation in a lot of places—it has opened things up a bit. What do you conclude from the six months of silence on your report, the inadequate response and then the complete lack of visible engagement with you and your report from the Cabinet Office?

Catherine Baxendale: That it was not a priority. That is what I conclude, but I do not have any data.

- Q11 **Chair:** How much do you think it was actually being resisted?

Catherine Baxendale: The only thing I would say—as I said, I have not had conversations, so I do not know, but I recognise that there were changes at the top—is that I think there were quite a lot of personnel changes. Rupert McNeil came in as head of HR. There has also been some structural change. I have heard anecdotally that my report is used as the key induction information for new starters in the senior civil service. That is excellent on one level, but ironic on another, because one of my key recommendations was for a full induction to be provided to new hires, beyond the information in my report.

Q12 Kelvin Hopkins: What were your findings in relation to the capability of the senior civil service?

Catherine Baxendale: On the positive side, my findings were that I was incredibly impressed by the talent, intellectual horsepower, dedication and commitment of the people I met. I do not use those words lightly; I work with many people across a number of Departments and different layers. I not only did interviews; I ran focus groups and got questionnaires from people in various posts outside London and outside the UK. I got a broad spread of input, and I can genuinely say that it was an incredibly impressive bunch of people—of talent—in the organisation in terms of capability.

On the less good side, there were clearly skills gaps that the civil service had recognised were important for doing the job of government. People had been hired—that was clearly the nature of my report—and my key finding was that their talent and capability was not being fully utilised because of the way that they were recruited, inducted, brought into the organisation and briefed on their new job. They were not set up for success. That was the hole that I found in my report.

Equally, why I sensed hopefully some energy and passion on this was that it felt very resolvable. It felt like standard practices used in other sectors could be brought in to solve the problems quite quickly. That was why there was some frustration from my side that there was not more of an action agenda, which I was hoping to help with, advise on or even just informally consult on to ensure that things were on the right track.

Q13 Kelvin Hopkins: Having been a student in the '60s, I know that the plum job for students like myself was to get into the administrative class of the civil service as an assistant principal. That was the plum job for everyone, but it was extremely competitive and only the best got in. Would you say that is still the case?

Catherine Baxendale: What I would say is that the graduate entry, fast-track civil service programme is, as I understand it, still best in class. I know that there have been some improvements and my work obviously did not include those, but I understand anecdotally that it is still best in class. That made it even more awkward or difficult that people who were being recruited into a higher level were not being treated in the same rigorous, careful, professional way that you would expect for that graduate entry class. It almost felt like there was a little bit of a gap in the process

that had been missed. When people were coming in at a higher level, at a higher grade and with higher pay, they were treated in a way that seems to have been less professionally careful than if they had entered at the graduate level.

- Q14 **Kelvin Hopkins:** Most of that generation will have retired by now, but from memory they would have expected to spend their lives in the civil service, with a very strong sense of the public service ethos. Since then, the attractions of money outside have changed that. Do you think that has had an effect?

Catherine Baxendale: From what I found in my research, the civil servants that I worked with were of the highest calibre.

- Q15 **Dr Huq:** It is qualitative and quantitative research. Questionnaires and statistics can sometimes be a blunt instrument for the next thing I want to ask about, which is the morale of staff in the civil service. What did you find out about that? Maybe that came out more from the qualitative interviews.

Catherine Baxendale: As I am sure you are aware, the civil service run a people survey and so have good quantitative data on morale. One of the things I noticed was that external hires are not flagged on the people survey, and one of my recommendations was that they should be. I tried to look at the data using the research capability within the civil service, which is very strong. It was clear that people who were hired at senior level and had not been civil servants before—they must have been external hires—seemed to come out lower on all the key morale measures, such as, “Do you get enough training development?” or, “Do you feel that the leadership help you?” I am cribbing the questions, but from the key questions on the people survey it looked like the external hires were coming out lower. I had a key recommendation, although I have no idea whether it has been followed up: on the people survey, external hires need to be flagged to see whether issues are coming up and then address them.

- Q16 **Dr Huq:** So they would be more demoralised than, say, a fast-stream person who had been there all their working life?

Catherine Baxendale: If they were of a similar level, yes. That was what I found in the data. As I say in my report, I also found that at the higher levels, those who had been externally recruited were twice as likely to resign as those who had moved up through the organisation. It really felt to me that there was quite a big issue there.

The other thing that I found was that there had not been any systematic exit interviews, so some of the relatively easy things to fix for future people were not being picked up. Of the 54 interviews I did, a number were with leavers who had not had any exit interview at all, so I found myself almost in the position of running the exit interview for them. I asked what the issues were, and it was clear that no one had really asked them before. In terms of capturing issues and changing things for the future, it felt that there was a real opportunity. To be fair, the civil service

response that came out with my report did say that they have instigated exit interviews, but I have not seen what the quality of that data looks like.

- Q17 Dr Huq:** Is that because the grass is greener in the private sector? What was demoralising them?

Catherine Baxendale: Why were people leaving? When I spoke to leavers, the core of what I found was that they found that the job of government was very tough. This is not a generalisation for everyone, but many of the people I spoke to found that they had not been set up for success. Their jobs might not particularly have been agreed, even broadly, across the divisions. I particularly found that in areas of change: people have been brought in to make a big change project, and it was clear that their job had not been agreed across all the divisions that would be impacted by that change. You can imagine that someone coming in from outside would find that very difficult.

Nor were people given a support structure. There was no recognition that someone from outside was being brought in to lead a big change project. If someone is about to change an organisation that they know nothing about, the minimum that you would do—this would be standard practice in any large organisation—is make sure that they have a support staff who have run or supported big change programmes across the divisions, so that they know how to navigate the organisation.

On your original point, I felt that there was a lot of talent wasted and morale was undermined. There was a quote about people feeling that they were hitting their head against a brick wall. After a while, if people do not feel that they are making progress on something they are passionate about—coming to the civil service and making a contribution to public service—and if they feel that all their efforts are being frustrated, what are the reasons to stay? Clearly pay is not going to be a sticking point for them, because they could do better elsewhere.

- Q18 Mr Jones:** You acknowledged in your report, and again this morning, the positive qualities of the senior civil service, but you were also critical of the culture. Could you explain to us what you mean by a culture? What would you say are the roots of it? How does it generally manifest itself?

Catherine Baxendale: As I see it, culture is about the behaviours, norms and attitudes of the people in the organisation. It is about “how things are done around here.” The civil service, quite rightly and understandably, has a very strong culture, as you would expect from an organisation with a huge history, importance and status in society. Much of that is helpful and healthy, because there is a lot of pride. People believe that they are doing the right thing for the Government and the country, and obviously that attracts good people to do their best. In that sense, it is very strong.

It is also clearly very strong from the fast-track graduate entry, in terms of getting the brightest and best and then developing them through the civil service. That clearly develops a very strong culture, but there is always a flipside—a shadow. If you have not come up in that long history



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of being recruited together as bright young things and then working your way through, it might be harder for you to be assimilated. That is not to say that that is the case for everyone. I met some very good exceptions—people who are able to understand the nature of what they are coming into and navigate it appropriately, and perhaps be a bit more flexible in how they approach things—but for some people, the culture was impenetrable.

I make a number of recommendations, because it needs to be very clear in the recruitment criteria that you are looking for people with a high degree of emotional and social intelligence, and with the ability to morph and flex your style to achieve what you want to achieve. That is about the recruitment criteria.

Induction is the other incredibly important thing. Many successful change agents from the private sector—many might not have been brought up in this country—might not understand the rich heritage of the civil service. They are coming in and being given little or no induction on how things work, so it is not surprising that they find it hard. When you know how sophisticated and sometimes nuanced the most senior people in the civil service are, it is not surprising that many of these external hires feel that they are just coming up against a brick wall, because the culture will be completely alien to them.

Q19 Mr Jones: But to be inducted into a culture that has such negative aspects is possibly in itself not necessarily a good thing.

Catherine Baxendale: Well, there are positive aspects, as I make clear. There are many positive aspects to the civil service, but some people also hit against the negative aspects, so the leadership needs to recognise the need to evolve the culture, to be more embracing and to be more allowing of diversity. Great strides have been made in some areas, but there is probably more to be done on ensuring that new people are—this point came up very strongly—respected and recognised for their external achievements and that those achievements are appreciated in a way that can bring new ideas to improve how the civil service is run. A key finding was that there is sometimes a bit of a closed mentality, with people thinking, “We know how to do this,” rather than, “How can I improve?”

Q20 Mr Jones: You mentioned the positive aspects of the culture, such as pride in working for the Government. To what extent would you say that the culture as a whole is a manifestation of, for example, the need for accountability, particularly when dealing with public money?

Catherine Baxendale: On the need to deal with public money and be accountable for it, I found many practices that were incredibly wasteful and would not be tolerated in the private sector. Very simply, you are recruiting incredibly talented, highly paid professional people. They do not feel that the recruitment process, the induction and how they are managed afterwards in any way gives them a sense of worth or value. To be very clear, I did not find that to be the case for everyone, but for many people I found that there was waste in terms of not using their capability



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to full advantage and in terms of people being hired with all the costs involved—costs of change and recruitment costs—who would then leave within a year or two.

To come back to accountability, I did not have the sense that line managers felt accountable. I could be wrong, but there was not a sense of line managers feeling accountable if a senior hire left, if they did not feel it worked out, whereas I have seen many organisations in other sectors where if a good person leaves there is severe questioning of the line manager, asking, “How could this be? How did you let this good person go?” Good people are difficult to find and the costs of engaging with someone and bringing them into a team and inducting them are huge, both time and money-wise, for everyone involved. There is a real sense of accountability if someone has lost a good person, but I did not necessarily get that feeling when I was doing this research.

- Q21 **Mr Jones:** So if a good person was lost, their line manager wasn’t too concerned about it. Was there any overall concern? Was anyone inquiring into why people were going?

Catherine Baxendale: That is the nature of why I was commissioned by the Cabinet Office Minister. He was concerned. I didn’t get that concern as strongly from other people.

- Q22 **Mr Jones:** Do you think there should be a wide-ranging assessment of the negative aspects of the culture that you mentioned? Should that be addressed? You mentioned earlier that you were hoping to return 12 months later to continue your assessment. Would it be just as valuable if you were to return now to do that work?

Catherine Baxendale: Absolutely. I felt a real, pressing sense of urgency. People were incredibly candid with me. They were, to be honest, quite nervous sometimes, particularly about whether the questionnaires would be properly anonymised, because they were concerned about revealing how they felt. Equally, they hoped that changes would be made. I feel a moral obligation because people gave freely and generously of their time and their thoughts, and I am not sure how many of these issues have been addressed. They were so very keen that this work be acted upon and things be improved in a relatively cost-efficient way.

- Q23 **Chair:** Can I just press you on that? If you were invited back to do some further work, what would that look like? I hope I am not stealing your question, Mr Jones. How would it be different, or how would it add value?

Catherine Baxendale: I think the most important thing right now would be to go back and see what has changed. What are the leaver rates? What are the exit interviews saying? How many people have been recruited? What was their experience of the recruitment process? Do they feel valued? As someone put it, “I was just the least-worst option they had.” Do they feel they have a career path? I have one particular person in my mind who was brought into a high-level digital role and was given no indication that there would be any role for him post the project, although it was not clear from the beginning of his recruitment that it was just for a



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project. He thought he was being recruited for a career, but it wasn't clear whether it was a career or just a job. There are some very simple processes for the career management path, talent management and recruitment processes. It would be very favourable to see whether those simple improvements have been made, and whether the human experience of coming to the civil service and performing well is much better than the one I found in 2014.

- Q24 **Sandy Martin:** Did you get the feeling that there was any sort of overt or subconscious exclusionism or resentment towards the external hires? Was some sort of "them and us" situation deliberately or subconsciously proposed?

Catherine Baxendale: I had no impression at all that anyone was consciously or deliberately trying to stop a person doing a good job. It is very important to say that. There were great people doing very important work under difficult circumstances, and it just felt like the process, the systems, the infrastructure and the care were missing. Therefore, those very important people would fall through the cracks. A very simple recommendation was to ensure that in the recruitment process, they have one person who is their key point of contact. For a very senior person, it is a very big deal. They are at the senior end of their career. Are they moving jobs or not moving jobs? No one speaks to them or tells them what is going on, and then all of a sudden there is a mad rush and they have to do a presentation, about which they get no feedback. That would make a big difference.

- Q25 **Sandy Martin:** But you don't feel that there is anything in the culture that is deliberately trying to freeze them out?

Catherine Baxendale: I don't think so.

- Q26 **Ronnie Cowan:** I am a little surprised by your last answer, because you say that the culture is insular, resistant to change, sceptical of expertise and unwelcoming to those coming in from the outside. If I were in that environment, being recruited from outside to what was a very senior position, I would want to be assimilated—you used the word "morphed"—into that culture and work from within to change it. However, if I am not being welcomed into it, it is almost like I am trying to morph into something I do not want to be, because I am there to make change in the first place. How do we address that?

Catherine Baxendale: That very point came up where people said, "I was recruited for all my outside skills, knowledge and experience and the way I have done things differently, and now I have arrived and no one wants me to do things differently." That was a tension that came up a number of times.

In terms of how we can address that, the receiving team is often not told that someone new is going to turn up or what they are going to do. I felt that there was a big opportunity to not only brief the new person coming in, but brief the receiving team. Also, maybe just simple changes: when a new person comes in, obviously they get a normal welcome, but also that



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new person should have the chance to say what they have been doing and what they have learned and how they are hoping to change things. Maybe three to six months later they can give their first impressions of how things could be improved before—as we know, it is easy to then get assimilated into the culture. Those very simple things were not being done.

Q27 **Ronnie Cowan:** What level of the civil service are we talking here?

Catherine Baxendale: It was all the senior civil service—permanent secretaries, director generals, directors, deputy directors. I think the last level of senior civil servants is deputy directors.

Q28 **Ronnie Cowan:** Are the sort of recruitment and initiation processes you are talking about more available at junior levels within the civil service?

Catherine Baxendale: My project was only on the senior civil service. I cannot comment on below. I do know that a lot of changes and improvements were made at the very top. At permanent secretary and director general level—I think I make a note of that in my report—there were quite robust processes in place. It felt that the place where there were most gaps was between director and deputy director levels, when people came in. There seemed to be a lack of clarity on who was responsible: was it the centre or was it the Department? Also, there was huge variation. Some Departments did it incredibly well and some did it incredibly badly, and there did not seem to be an obvious process of saying “Why don’t we just move the process that works for one, to one that does not do so well?” I think they have looked at this, because the point was made so clearly in my report and it is quite an easy fix. So I am hopeful that has changed, but I do not know.

Q29 **Ronnie Cowan:** Is any aspect of this down to the fact that people are moving into a political environment?

Catherine Baxendale: On one level, yes. For example, I was talking to directors and deputy directors—part of the senior civil service but not at that very top level—and they told me that fundamental points of the civil service code had not been explained to them before arriving. This is obviously quite important. In terms of “political”, I am talking about the nature of the civil service, how it operates, what the restrictions are, what the purpose is, the mission, values and history. That felt like an obvious opportunity that could easily be addressed.

Q30 **Ronnie Cowan:** Looking to the long term, there has always been talk about the civil service growing its own people straight out of university. Is that a healthy thing to do or should we be trying to make sure we get a mix of people who have been there long term and then recruiting people at a later stage as well?

Catherine Baxendale: I think it is healthy to have many of your future roles being filled by people who have been with you and had a huge experience: they have come in, they were super-sifted early on and I think they are still sifted as they go through. There will always be opportunities; there will always be gaps. It is the same in many other sectors. The



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industry norm is that something like 20% of senior roles should be filled from outside, because that brings in fresh ideas, fresh blood and new ways of doing things. It is very appropriate that the civil service brings in people at that senior level from outside, but the majority of the roles would probably come from within.

Ronnie Cowan: Is that part of the problem? The majority of roles are filled from within and people who are higher up externally see themselves as being almost a bolt-on to a system; they are not actually part of the system.

Catherine Baxendale: I think it would be a good thing to look at what is the right balance across the whole senior civil service population in terms of internally and externally recruited: whether it should be more like 70% and 30%, rather than 80% and 20%. Today it might only be 90% and 10%: I don't know. Again, that would be a good thing to look at. You do need a certain critical mass of new people coming in, so they don't just feel like the odd ones out.

Q31 **Chair:** That is very interesting because the data that we have been presented with from alternative sources is that the highest-functioning organisations generate and grow all their talent from within. If you think of a company like John Lewis Partnership, or Ford Motor Company where I started my career, or Caterpillar, those are headhunters' nightmares because they never recruit from outside. They would estimate that to assimilate somebody from outside takes years before that person adds value. How long do you think it is before someone in the civil service added at, say, permanent secretary level or director general level, has to be in there before they start adding value?

Catherine Baxendale: I absolutely saw clear examples of people coming in—not as senior as that but at director and deputy director levels—leading huge programmes, who had a unique set of skills and experience that was absolutely needed and business-critical to the work of Government, and they made a great success of it. I saw great examples of that.

In terms of people coming in from outside, I found from my research that it is normally a good thing to come into the civil service at one level lower. So to come in at permanent secretary, that wasn't the nature of my report but I think that is an incredibly tall order. Normally coming in one level below, say at director level, to understand the nature and workings of Government, and then being promoted to director general level seemed quite a good career path. I did see that in people's stories.

Ronnie Cowan: I was confused by your comparison between this and the private sector. The private sector can grow and hold its own talent because it has to change, it has to be influenced by the marketplace, by external influences, so it will develop. The civil service at senior level does not have to do that because it is insular, and because it works hand-in-glove with another insular organisation: this one. So there is less need for external recruitment.

Q32 **Chair:** Let us turn that into a question: why is the civil service insular and



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failing to provide for its own capabilities and skills, so that it needs to recruit from outside?

Catherine Baxendale: I would say that many skills—think about digital, engineering and software skills—are difficult to grow from within. Sometimes you need to hire from outside. So I think there is always an opportunity to bring people in; it is a good thing to bring people in. I think having a critical mass is an important thing.

You make a good point that the civil service is not impacted by the normal market forces that affect business in terms of having to change all the time, so that is even more reason why recruiting people from outside is helpful.

- Q33 **Chair:** I can see why, having no trade negotiation expertise, it is sensible to bring in a permanent secretary like Crawford Falconer, the second permanent secretary at DIT who has extensive experience of negotiating trade deals and understands WTO frameworks and so on. But what about DFID, which is also advertising for an external hire, obviously in competition with internal applications?

How much is it just people being frustrated, wanting change and therefore thinking that they will get that from outside, when in fact it might be better to recruit an insider who understands the system and can carry out a Minister's wishes more effectively?

Catherine Baxendale: My view is that—I think you call it open competition—it is important that senior roles are open externally and internally. What we do need to make sure is that there is a level playing field, so that those people from outside can understand what the role is and the people they will be working with. That was one of the points that came up in my report: that not enough information was given to the external candidates to enable them to make informed decisions about what they were coming into.

- Q34 **Chair:** What non-line management mentoring and support should an external hire have? What evidence did you see that that is adequately provided?

Catherine Baxendale: I found that there was woefully inadequate provision of very simple measures, including providing a new hire with a sponsor: someone senior who could help them beyond their line manager, some form of buddy, a peer, ideally a peer that had also come in from outside. There are always exceptions, though. In some Departments I saw examples of very good practice where new hires were given a coaching programme that ran for 100 days, which has worked very well in one of the Departments. That had not been rolled out, but that was a good example.

- Q35 **Chair:** How good were the coaches?

Catherine Baxendale: As I said, that was not in the nature of my work. I just heard that there was something going on in a Department. That tends to be the nature of government. There are always pockets of stuff



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going on; the point is to actually try to bring it together. I found that one of the key recommendations was that new people were to be given that level of support beyond a line manager.

- Q36 **Chair:** Whitehall is conceived of in two ways now. Traditionally it was conceived as vertical Departments, but then we had the development of cross-cutting skill sets that has been described as functional leadership. How helpful is it to conceive of Whitehall in these horizontal terms, as opposed to the vertical traditional structures?

Catherine Baxendale: My work in 2014 did not really feature that as a major part of it. That language, referring to horizontal and vertical, was not being used as much then. The nature of my work was not around organisational design. However, in terms of talent management there was definitely an opportunity to take the horizontal career path that is now widely spoken about. There was an opportunity for that to be developed, so that people coming in with specific skills did not feel that that was it at the end of a project. If a digital person was brought in for a project, they did not know if that was it at the end of a project—whether they went, or whether there was something else. If the horizontal career paths could help people who had done a good job with great organisational capital and information stay and do another job, then that would be a really good thing.

- Q37 **Chair:** You mentioned the lack of career planning, or the lack of a career plan for people coming in. It has been said to me by a senior civil servant that it is actually impossible to plan a civil service career in the present framework, because of the insistence on open recruitment for every post. Everyone is fending for themselves and no one is saying, “We have a vision for your career: we’re going to do this and then we’re going to do this.” So how could you do more career planning for external hires if the entire civil service is based on a kind of anarchy?

Catherine Baxendale: I didn’t find it anarchic.

Chair: No, but one of the things that happens is that people change jobs often. That might confuse external hires as well.

Catherine Baxendale: Yes. In terms of a career plan, I understand that it is difficult to have any plan that does not change, as we all know. However what is fundamental and what was not happening was just having a career discussion so that people felt that they were valued, that they were listened to: did they want another role after this one? Did they want to change Departments? A very simple recommendation was to have a career discussion. That may include a loose plan, and I am with you in that it could not be set in stone. Just to have a career discussion would be a basic minimum requirement. In terms of people moving roles, then I did find that because—as we know—of the restrictions around pay, people often felt the need to move more than they would have wished, in order to get improvements in their terms and conditions. I definitely found evidence of that, and I also found evidence of line managers being quite



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frustrated that for relatively small pay increases—5% or 10% on a particular key role—they were not able to make that adjustment.

- Q38 **Chair:** Since you did your work, the civil service has introduced pivotal role allowances. Was that in response to your report?

Catherine Baxendale: I think so.

Chair: Congratulations. You've changed things.

Catherine Baxendale: I don't know officially.

- Q39 **Mr Jones:** To pursue that theme, you have discussed the impact of changing jobs on the individual civil servant. What impact does this level of churn have on the civil service as a whole?

Catherine Baxendale: The level of churn from people leaving?

Mr Jones: Yes, or moving from job to job.

Catherine Baxendale: I was looking at it from the individual's point of view. I heard from people that they found they were having to move more than they wanted to. I was not looking at it from a project or organisational point of view, but from that person's point of view: they often wanted to stay longer in the same role, but could not. That was my perspective.

- Q40 **Mr Jones:** You mentioned pay for pivotal roles. You have already said that pay is a big issue in terms of officials moving from job to job. How can you address this overall, given the context of pay restraint?

Catherine Baxendale: Pay was outside the scope of my report, understandably. It is very difficult, which is why I think the pivotal role premium is clearly a solution, where they have tried to make targeted interventions as appropriate.

- Q41 **Mr Jones:** But large levels of churn, whether or not the roles are pivotal, will inevitably have an impact on a Department. Do you think the Government should be looking more closely at this issue and trying to find ways of ensuring that people retain their positions for longer than they appear to be retaining them at the moment?

Catherine Baxendale: You would have to look at what the levels of churn were. I know that among my external hires the leaver rate was twice that for internally developed people. I don't know where things are now.

- Q42 **Mr Jones:** Would that be a useful aspect of your next study, which we hope you will be able to undertake shortly?

Catherine Baxendale: I definitely think it is important to look at retention rates and leaver rates, as any business or organisation would do, to see if there is any obvious pattern. Are more people hired from outside leaving than those recruited from within? At which level of the organisation? Clearly, as with any organisation, if you are losing good



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people—not underperforming people, but strongly performing people in critical roles—then something needs to be addressed quite urgently.

- Q43 **Chair:** You have talked quite extensively about culture, attitude, norms and behaviour. Changing and challenging those things takes a very long time—you are nodding—and can be very difficult. You have talked about what Francis Maude used to call “tissue rejection” from external hires, and you have talked about the difficulty of identifying the skills gaps that external hires are trying to fill. Did you come across examples of times when the skills gaps were not correctly identified and the wrong people were hired?

Catherine Baxendale: That was not the nature of my work. It was literally the human experience of coming into the civil service for those recruited.

- Q44 **Chair:** In terms of the civil service being able to identify its own skills gaps and develop its own talent to fill them, how well do you think the civil service is mindful of governing itself well?

Catherine Baxendale: That genuinely was not the nature of my report.

Chair: I am just asking your opinion. I am inviting you off-piste.

Catherine Baxendale: How well they govern themselves?

Chair: How they look after their own sustainability as an organisation.

Catherine Baxendale: It is genuinely difficult for me to comment.

Chair: One of the recommendations that we have made in previous reports is for the Government to consider re-forming some kind of National School of Government. That was a casualty of the Maude period, perhaps for good reasons, but it does leave a gap in the civil service’s long-term capability to develop its own organisation. What do you feel about that?

Catherine Baxendale: That did come up, so I can quite happily speak on it. When I spoke to deputy directors and directors, who do a lot of the work leading big core projects—by the way, the different grades make a very big difference in the kind of people that you are talking to—it was clear that they did not necessarily have the information, the upskilling, the content, the perspective of Government, from the basics of not knowing the civil service code to more sophisticated things such as getting insights from past Ministers, past senior civil servants or permanent secretaries on what works and what does not, and on the key books or key parliamentary papers to read. I did not get a sense that they had a curriculum of learning knowledge and gathering information that you and I would say were very important to know if you were going to run a big division in the civil service. I definitely saw a gap in training and development. How that is filled—how you meet that need—was not the nature of my report and I was not asked to comment. I did not look at any options, but I could see, and I did make recommendations, that there should be some form of masterclasses—we do not want to do anything that is sensitive or difficult,



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as we know—with retired permanent secretaries or Ministers, who would naturally be very keen to help the next generation. It felt like that knowledge share just was not there, but in a way that felt incredibly easy to organise and valuable to those people who were seeking more information.

- Q45 **Chair:** That is very interesting, because there was a lot of corporate memory in the National School of Government that was lost. Nobody provides a safe harbour for that corporate memory away from the daily pressures of running Government. What would you feel if we were to reinforce our recommendation to pursue this?

Catherine Baxendale: I don't know if a school or an academy—to be fair, I think Rupert McNeil has talked about a leadership academy—I am not sure of the form, but in terms of the content for young aspiring senior civil servants wanting to make their way and do a good job, which is very much what I saw, more could be done about sharing knowledge and experience. It felt like simply having past Cabinet Secretaries, past permanent secretaries, DGs, or Ministers of State coming to speak to those people about what they had found helpful or not helpful and what it really feels like to be in those roles would be so illuminating for them.

- Q46 **Chair:** How can you provide all that in a structured and comprehensive way unless there is some kind of institutional framework for providing that?

Catherine Baxendale: I agree. There should be an institutional framework. I do not know whether that should be virtual or digital, or whether that should be held locally, nationally or regionally. It was not part of my remit to make a recommendation. Some form of structured learning and development where people who are really keen to get on can understand the subtleties and nuances—things you cannot just pick up in a particular role—I think would be very helpful.

- Q47 **Chair:** Thank you very much for coming before us. It has been very illuminating and useful evidence. May I make one request? You mentioned that you would like to go back and revisit your work. Could you frame a note for us that we could publish as evidence about how you would do that, what you would expect the Government to get from it and what benefit it would hold? That would be helpful for our work.

Catherine Baxendale: I will do.

Chair: Thank you very much.

Examination of Witness

Witness: Sir Amyas Morse.

Chair: Welcome to our next witness. We will interview you about a variety of topics and are very grateful for your time. We understand that you have to be away by 12.30 pm.

Sir Amyas Morse: Yes, thank you.



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Q48 **Chair:** We will do our best. Will you identify yourself for the record, please?

Sir Amyas Morse: Certainly. My name is Amyas Morse; I am the Comptroller and Auditor General.

Q49 **Chair:** Thank you. We will plunge straight in. We are doing an inquiry into the capability and efficiency of the civil service; you are interested in this subject as well.

We are involved in three blue-sky firsts with this inquiry: first, we are doing this inquiry as a Select Committee in co-operation with the Government, Ministers and civil servants; secondly, we are looking at the very sensitive area of the relationship between Ministers and officials—historically, the civil service and Ministers have resisted that—and thirdly, research is being conducted independently but will be presented to us based on interviews with a lot of the key people involved. So what do you see as the main issues facing the civil service?

Sir Amyas Morse: It is difficult to avoid seeing the main issues facing the civil service through the prism of Brexit at the moment. It is pretty all-consuming, but I do not think it is about that on its own. The issues facing the civil service are primarily ones of it going in the right direction and recognising a lot of the skills gaps that need to be filled. Before Brexit, it was going in the right direction and did recognise a lot of the skills gaps that needed to be filled. You will remember our report on civil service capability, which spoke of that and specifically identified project management, commercial and digital skills as being areas of difficulty. Thanks to John Manzoni, there was, and is, a programme of building up professional knowledge across the civil service. There was a good approach to understanding those issues. There has also been a weakness in strategic planning in the civil service and what I call all-resource planning. A start has been made in that direction through the single departmental plans.

There is a lot of travelling in the right direction—to start with a positive—but that is against a context of all that being fairly gradual. It was always going to be a fairly gradual process against a programme that was heavily loaded before Brexit, and we now find that the tasks facing the civil service have increased considerably. They relate to responding to Brexit, both in regard to Brexit-specific activity and to the consequences of the pressure on the civil service in how the Government needs to think about its other pre-existing commitments and how many of those can be managed.

Q50 **Chair:** Your report, entitled “Capability in the civil service”, which came out in June, was pretty blunt.

Sir Amyas Morse: Yes.

Chair: You said that “the government needs to prioritise its projects, activities and transformation programmes. It should stop work on those it is not confident it has the capability to deliver.”

Sir Amyas Morse: Yes.

Chair: So which programmes do you have in mind?

Sir Amyas Morse: Rather than give you a list of programmes that I think shouldn't be continued, which I don't have, let me give you examples of the sort of programme with which I think problems will arise because the scoping is too ambitious for the skill sets. I very rarely see programmes and major projects in the civil service that are just enough to meet the capability requirements at the minimum risk and cost. What I see quite often are attempts at very much more ambitious, leading-edge projects. I will give a couple of examples. Perhaps it is unkind to give them both to the Home Office, but I will do so.

You will remember that roughly a year ago we reported on the very long-running e-Borders project, which started out with enormously ambitious goals and as a result has taken a long time. We have achieved some much better functionality, but even now we haven't got everything that was originally envisaged. I believe that a significant part of that was because of over-aggressive ambitions as to what could be achieved at the original point. That is also true with the emergency services communication project. Again, it was highly complex and very ambitious. It sought to break new technical ground as well as replace an existing contract, as well as, as well as.

One of the things I often see is that, because you have a lot of highly intelligent—intellectual, in fact—people in the civil service, they can easily envisage how you can do something differently and think of an exciting breakthrough project. If you are in the commercial world, what you are trying to do is to get something that will move your activity forward in the requisite way as cheaply and with as little risk as possible. You don't get rewarded for coming up with fantastic things. You are not trying to wipe anybody's eye; you are just trying to get a job done. There is an attitudinal adjustment that could be very usefully made.

Those are the sort of projects I see. They are often like that. The final thing to say about them is that they are often characterised by optimism bias about what can be done, how quickly, and so forth.

- Q51 **Chair:** To be clear, when you are talking about projects, they might be large-scale construction projects, or they might just be what we might call policy programmes.

Sir Amyas Morse: Yes. Well, universal credit—what is that? It is a huge programme, but in its early days it was quite obviously—I don't think many people would argue with this now—damaged by overly aggressive timescales in the planning. That actually set it back, rather than moved it forward.

- Q52 **Chair:** There is a general consensus, which you seem to reinforce, that the civil service is over-committed. Who is responsible for making sure it is not over-committed? Who is going to deal with that?



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Sir Amyas Morse: I have been in favour of reprioritisation or going through a rigorous zero-based prioritisation exercise.

Q53 **Chair:** Is there any sign of it happening?

Sir Amyas Morse: Yes, there is now. I will directly quote the testimony of Jon Thompson, whom we have now had twice at the Public Accounts Committee. He has also said this at the Treasury Committee. He regularly says broadly the same thing, which is that he needs to reprioritise his whole programme in HMRC, because there is a huge transformational change project going on, and very substantial delivery requirements in regard to Brexit. The estimate that he gave at the hearing yesterday is that, depending on the shape of Brexit, a substantial percentage of his resources—up to 40% of resource—will need to be put towards implementing Brexit. Having listened to that, and even allowing for the fact that a Budget negotiation may be going on right now, I think that tells you that there are very substantial challenges.

Q54 **Chair:** How much of the lack of capacity is because there has been a pretty dramatic reduction in the size of the civil service since 2006, although there are signs that that has been slightly reversed in the past year or two?

Sir Amyas Morse: I am sure that that has had an effect. I am not speaking against efficiency savings as a whole, because I think they make sense, but I think some things were not so clear. We have looked at a number of these cost reduction exercises over that period of time, and as part of the rationalisation of cost we did not see in place very clear workforce planning with a thought-through destination model for the skills and capacity needed to do the ongoing task. What tended to happen was that costs were taken out and resources were taken down. We did a report on one of those where resources were reduced simply by cutting down on recruitment. That meant we sort of created a wave pattern of uneven age distribution in the civil service. That measure is quite primitive management, to be honest. It needs to be more thoughtful and comprehensive than that.

Q55 **Chair:** Reduction in size by letting the people who want to leave to leave, instead of choosing who you want to stay.

Sir Amyas Morse: Yes. But I think that there are signs that significant progress was being made already in terms of single departmental plans, and now the pressure of Brexit is leading Departments to need to plan much more comprehensively as to how they are going to get the job done in terms of skill sets and numbers. I am seeing that starting to happen, accompanying these full reprioritisation exercises. I think that it is going to happen across Departments, but I have seen it definitely being committed to in HMRC. I believe that it is similarly happening in DEFRA.

Q56 **Chair:** This was a key recommendation you made about integrating the departmental workforce plans with the functional plans and the single departmental plans.

Sir Amyas Morse: Yes.

Q57 **Chair:** But when do we see a document that comes out for each Department that looks like that?

Sir Amyas Morse: If we are not seeing that integrated planning happening as part of the Brexit implementation plans, I would be very concerned.

Q58 **Chair:** And you think those documents are now being prepared.

Sir Amyas Morse: I don't know about the documents, but I am seeing the functional planning activity happening. I am being told that as I talk to officials about Brexit.

Q59 **Chair:** Would it be unhelpful for us to demand that these plans are issued in writing? Or would that just waste more people's time?

Sir Amyas Morse: I certainly think it would be very helpful to say that you would like to see evidence that this has gone into the new way of working that will continue through and after Brexit. I think that would be very helpful. If you said that you would like to see evidence of that, I think that would be very positive. I also believe that the civil service should well be able to do it, too, if they are moving in this direction.

Chair: Thank you; that is all very useful.

Q60 **Dr Huq:** You mentioned the single departmental plan, but I wanted to ask about cross-departmental approaches and things like functional leadership. How do these horizontal approaches work with the accountability of Ministers and permanent secretaries in Departments?

Sir Amyas Morse: There is a professions strategy, if I can call it that, and that is positive. I am not sure just how effective that is in terms of contributing to decision making at this stage. It is certainly the case that there are cross-departmental professional arrangements for building up skill communities in Departments, and that is a wholly positive development. The next step will be for these professional communities to start contributing in an organised way to decision making in Departments.

Q61 **Dr Huq:** Is it pretty informal at the moment?

Sir Amyas Morse: It is not so much that it is informal, but that their cross-civil-service view is not necessarily seen as a key contributor to decision making in Departments. I have not seen evidence of that yet.

Q62 **Dr Huq:** There is a sense from the report that there is a reluctance from permanent secretaries to challenge Ministers about unwise policy decisions. Where does that reluctance stem from? There is even a quote from a former special adviser, Matthew Taylor, about officials "all too often deciding it was better to nod sagely than look career-threateningly unhelpful." It seems that, as with harassment allegations, people do not come forward because they do not want to be out of a job. I wonder whether there is that tension that was highlighted in the NAO report.

Sir Amyas Morse: Yes, I think there is. The tension exists for a reason, and it is not all negative. In my time in this job, I have found myself from



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time to time talking to Ministers who are very frustrated about whether or not civil servants really back their policies and want to see them implemented. There are some ex-Ministers here who might testify to that. You cannot just say that that does not matter at all; Ministers have a legitimate concern to ensure that when they are in charge of a Department and are trying to carry through policies, they are getting support.

That is one side of it. On the other hand, I believe that in addressing that concern, the ship has probably tilted in the opposite direction over a number of years to where it is difficult for civil servants to feel that they can stand up. We have tried to contribute with our work on accountability, and I am very appreciative of the fact that the positive assurance by accounting officers is being brought into effect for major projects, but that does not change the basic dynamic. There is more to be done, but we are aware of the difficulty and we have made contributions to it.

Select Committees can make a big difference if, when you see issues like that, you ask people to come and explain them. Showing a great interest in these issues and putting them under the spotlight makes a difference, in my view.

- Q63 **Dr Huq:** What would the consequences be if there was some really awful policy? The quote says: "As the minister (or Prime Minister) described the policy they wanted to unveil...you could see the officials wrestling with the need to provide a reality check". If they are just biting their tongue, what is the worst that could happen?

Sir Amyas Morse: The issue is that accounting officers have a clear responsibility to obtain value for money, but they also have conflicting responsibilities to support their Ministers and carry through their policy. There is no very clear statement about how those two are supposed to be reconciled. I believe that one of the important things that the accountability system does is create—I am sorry to put it like this—some countervailing pressure on accounting officers to really think about the value-for-money aspect of their responsibilities, and I think increasingly they do that.

- Q64 **Dr Huq:** Ideally there should be a culture where people put forward constructive criticism. How would you encourage people to do that?

Sir Amyas Morse: I think the best way is if people who have put forward constructive criticism actually get promoted. But no matter what I say, if the reality or the wisdom on the ground is that if you make a nuisance of yourself, strangely enough your career will not thrive, there is nothing we can do in terms of little procedures that will really help.

- Q65 **Sandy Martin:** May I put the counter-argument? Do you have any evidence of civil servants who have attempted to correct a Minister and have found themselves cast out into the outer darkness? If not, maybe there is a misconception going on. It would appear to me that a mature person—one would hope that most departmental Ministers are fairly emotionally mature—would welcome being corrected if they were clearly



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wrong about something. Have you seen that happening and has anyone been cast out into the outer darkness as a result?

Sir Amyas Morse: Can I just offer: is that really the test or is the test that they think it will?

Q66 **Sandy Martin:** Well, yes, but if they know—

Sir Amyas Morse: Which, by the way, I have had a lot of evidence of, not all of which I am at liberty to reproduce because it has been said to me in confidence. This is not a proposition where people are all shaking their heads saying, "No, this is impossible; it certainly never happens like this."

Is that thought to be the case? Yes. Am I going to produce examples? Well, no, because Ministers have a legitimate choice as to who is appointed and they don't have to account for that choice. So what evidence would I have?

Q67 **Mr Jones:** I wonder if I could liken the ministerial direction to the nuclear option, or in footballing terms the red card. Is there any merit in devising another layer of warning below the nuclear option or below the red card—a yellow card, if you like—that might give a strong indication to a Minister that there is concern by an accounting officer, but which does not have the public glare that a ministerial direction clearly has?

Sir Amyas Morse: Well, that would have merit if Ministers did not feel that they did not want to have that happen either. Generally speaking, Ministers do not like being made to give letters of direction, for reasons we will not analyse too deeply. We have done work on this. The incidence of letters of direction mostly happens very late in a particular Administration's life. I would like to see it happening a lot more often. That would require, where there are prima facie cases where it might have happened, that the question, "Why didn't you seek a direction?" be raised more often. You will get an answer such as, "I didn't think it was right now" or "I didn't feel I should have had one." I have asked those questions and had that sort of answer, but if there were a further stage of pressure and examination on that, that would help—something that made it much more acceptable and worked better to encourage people to say, "I need something on the record before I can do this" because incidence is really quite rare, let's face it. Not never, but quite rare, and quite often on a technicality as well.

Q68 **Chair:** Regarding your recommendation in your report that there should be what you describe as "accountability system statements", first, what would that look like? What would be required to be done to produce an accountability system statement? Secondly, how does that not sound horribly threatening from a permanent secretary to a Minister? "I am sorry Secretary of State, I am going to have to work with the Treasurer on an accountability system statement on this matter." It sounds like a declaration of war against the Minister.

Sir Amyas Morse: Almost anything we can suggest that actually changes the balance can be seen in that light. That is almost the conversation we have just had.



- Q69 **Chair:** Yes, but how can we make this less threatening and more normal, without creating another bureaucratic stage in the process that happens automatically?

Sir Amyas Morse: Let me hazard this comment: you need to look also at what success looks like from a Minister's point of view. In other words, if you don't have the motivations aligned, we can come up with lots of fascinating ideas and none of them will ultimately make a big difference. I have always apologised for being a managerialist, to some extent. I suppose it is not surprising with this job. I have always felt that if there were a clearer list of things that Ministers were aiming to deliver themselves and would be regarded as successful if they had delivered, then there would be more of a shared interest with their executive team: if, in other words, there was a bit more clarity as to that shared interest. The way the departmental system works at the moment makes that quite difficult.

- Q70 **Chair:** But you also suggest that there is a blurring of political responsibility for design and ministerial responsibility for implementation. Isn't the fact that Ministers are taking more of an interest in implementation a good thing?

Sir Amyas Morse: Well, it can be. The reason I think that it blurs things is because the way the checks and balances operate, such as they are, is based on the idea that the Minister is not the chief executive. If the Minister starts being the chief executive and actually designing solutions to policy challenges themselves, where then does the challenge to those solutions lie? If you have a Minister who has decided that they really can do a better job of designing something than their senior civil servants can—by the way, these are not made up—

Chair: No, no; you just have to read the accounts.

Sir Amyas Morse: —these are things that have actually happened—then who holds that Minister to account? It is not going to be the PAC; they cannot appear in front of the PAC. So what exactly happens then? What is the position of the accounting officer who has got this person suddenly joining them in the executive ranks saying, "This is my solution; you have got to do this"? I am not saying it is not understandable. One of the things that happens a lot in government is that there is a leaking across from the corporate model—and people's thinking about what corporate leadership is—into the parliamentary model. I do think that it creates considerable problems.

Chair: Thank you. We move on to the NAO report on HMRC's customs declaration service.

- Q71 **Ronnie Cowan:** We are 507 days away from leaving the EU. In one capacity, 507 days could be a very long time. Given the workload the Government currently have on their existing systems and other systems, what assessment have you made of the likelihood of achieving successful roll-outs?



Sir Amyas Morse: Our report that was published in the summer was based on work that we finished before the election, so its publication was delayed. We had a period of time between then and the actual hearing that we recently had with Jon Thompson and his team from HMRC about this. We raised concerns about the project—about the things that need to be resolved within the project—and where there could be a risk quite late on. We also said that we felt that the project was progressing reasonably well. The same comments apply six months later. The HMRC is careful to continue to ascribe the same risk rating to it, and the verbatim quote from Jon Thompson on the subject is a lot more about the viability of the project, and that quote was, “I am reasonably confident”. He carefully used very balanced phrases that are in the minutes of that Committee to describe his reasonable confidence. Reasonable confidence, at this stage, with an end date for the project that is only a short time before we leave the EU would leave you thinking, “Is that an acceptable level of risk? Is there anything else we can do?” We did ask the question, and I specifically asked it, “If we treated this as the absolute top priority, is there more you can do?” to which he answered, “No.” However, at the same time there was a discussion about the contingency work that could be done on being capable of running the new system and having an update to the CHIEF system, to supplement it in the case of there being a need for it to work on day one upon leaving the EU. It was suggested to me that more funding is required for the Treasury to let that happen, and that that was still under discussion, to which the question was, “Should we not get on with that?” I would have thought that the answer is, “We should.”

Q72 **Ronnie Cowan:** Two things are bothering me. Jon Thompson estimates that in the case of there being no deal, we need £350 million to £400 million a year and between 3,000 and 5,000 additional staff.

Sir Amyas Morse: Yes.

Ronnie Cowan: But my issue with that is that it is not about whether there may or may not be no deal. We still do not know what we are heading towards and it is impossible to design a system until we do, so we haven't designed it yet. We have 507 days to write it. How can anybody be reasonably confident that we are on schedule?

Sir Amyas Morse: My understanding is that there are things that could change, depending on the exact nature of any deal or separation. Things could change in terms of the details of the system and the rules that need to be inserted into it, if there were variations of that kind. On the other hand, an awful lot of the development will probably happen—a lot of the functionality of the system will be needed—no matter what. I also mention that the system does not exist in a vacuum. For it to be effective there has to be not only the system, but the right number of Border Force people trained to use it. There also have to be physical modifications in the port to allow that volume of vehicles to go through. That is not a minor issue, by the way. I heard about that very directly from Charlie Elphicke. It is not minor, so a lot of Departments are involved in delivering a functional border effect there.



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Q73 Ronnie Cowan: Which is a very good point. Effectively, you need to take a whole range away from that 507 days—100 or 150 days—to do exactly what you spoke about: to train people and change the physical set-up as well. The clock just took a huge click forward there.

Sir Amyas Morse: It is cha—

Q74 Ronnie Cowan: It is definitely challenging.

Sir Amyas Morse: I am not expressing confidence. I am telling you what the chief executive of HMRC is saying. My confidence is not helpful in this. I have raised this question and in my view, they are giving the answer that the project is progressing well, but it is an IT project and my experience of IT projects is that lots of things can go wrong before you have it functioning properly at the end. They have some contingency for that. Is it enough? We will find out.

Q75 Ronnie Cowan: I am fascinated to know where Mr Thompson thinks we are going to get 3,000 to 5,000 additional staff with the skill set required. In my experience, a lot of them would have come from Europe.

Sir Amyas Morse: As I understand it—well, I know this—Jon Thompson is chairing the borders cross-cutting committee. I assume he is getting assurance from the Home Office that the requisite number of Border Force people are being trained.

Q76 Ronnie Cowan: Which brings us back to the point we made earlier. People will nod sagely rather than challenge a position that a Minister is taking.

Sir Amyas Morse: I think this is getting an awful lot of challenge and focus, not least by you, but by a number of other Select Committees too. If this is not ready on the day, nobody can be under the illusion that that will not be quite a serious issue. It has been gone through very clearly. Does that mean I am personally confident? My view is, if there is something else you could possibly do to make this more certain to be ready, why wouldn't you do it? Out of the possible results of the negotiations, if you think that one is that we have a "no deal" scenario, I would have expected that it was worth doing more to make it certain that the system is ready to deliver. As I said, we asked all those questions and we had the answers that I have repeated to you.

Q77 Mr Jones: Clearly, from my work in recent ministerial roles, I have a particular interest in this matter, as you might imagine. How concerned were you by the Chancellor's recent indication of his reluctance to commit resources to the sort of projects or expenditure that we have just been discussing?

Sir Amyas Morse: I can fully understand that there should be a concern not to spend money in a nugatory fashion—not to spend public resources in a nugatory fashion. That is a legitimate concern, but I would expect the Government, not me, to have made an assessment of the relative risk that might be provided against, how acceptable that risk not provided against is, and what the relative cost of achieving some degree of protection



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would be—and to actually make decisions based on that assessment. That is what I would expect to be best practice. If you say to me, “There is this range of possibilities; one possibility is that we don’t get a deal. In that circumstance, we want to be as protected as we can against certain things. One of them is that we do not have a functioning customs system,” well, if that was the judgment the Government made, I think it would make sense to take action on it. I am not going to say I do not agree with the Chancellor’s overall concern, because it is an appropriate, prudent concern, but I would hope that those judgments would be based on an intelligent assessment of risk and looking at the different scenarios that could come out of the negotiations.

Chair: I think we can move on to the Advisory Committee on Business Appointments—ACOBA.

- Q78 **Mr Jones:** The investigation conducted by the National Audit Office found that the “rules governing the jobs that civil servants can take on after leaving government are not being applied consistently”, or transparently.

Sir Amyas Morse: Yes.

Mr Jones: What would you say are the key recommendations that should be taken forward from the findings of that investigation?

Sir Amyas Morse: Pardon me; I will open it up. I think my key recommendation would be that a less tolerant attitude should be taken, and a much more stringent approach to enforcing these rules. For example, the rules do not say that Departments can reject applications. The power is quite advisory in nature and—this is public reputation we are talking about—I would have expected something stronger than that. I think that would have an effect. This is a recurring theme. We have been looking at it over a long period of time. I haven’t really seen it change terribly much in that time, and that’s why we keep returning to it. I believe that an expectation that Departments will do more, or that the improving bodies will do more, to protect the reputation of Government, have more powers and take more positive action, is what I would like to see.

- Q79 **Mr Jones:** What assessment would you make of the extent of reputational damage that has been sustained recently?

Sir Amyas Morse: I haven’t carried out a formal assessment of that, but there is a considerable amount. You see press coverage of it on a regular basis and you can assess that for yourself. So what I would really like to see is Departments having more power in this area, and I would like to see Departments not exercising their rights more accountable to the centre.

- Q80 **Mr Jones:** Can you explain why the NAO did not receive formal clearance from the Cabinet Office for the publication of the report?

Sir Amyas Morse: It is actually quite difficult to explain, to be honest with you. I was looking over this this morning. I have yet, to date, to receive any substantive critique of what we said. I had an apology from



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the Cabinet Office for the fact that they had not responded in the timescale. I'm afraid that when I have written more than five or six times, and I have asked for comments and I don't get them, then we have to go on and publish the report. That is what we did.

In fairness, as I say, we received apologies. We had an explanation that a lot of this was to do with the emergency of Grenfell Tower and other things like that. I had no reason not to accept that, but I also didn't feel that I could hold back on publishing a report, and generally, that is what I do. Either I receive comments at the twelfth hour on a report where I have already said what the deadline is, and/or I don't get comments at all. Then I'm afraid we just have to go ahead and publish, and that is what we do.

- Q81 **Sandy Martin:** Sir Amyas, you said that the powers are quite advisory and that you think they should be stronger than that. How do you think we should go about strengthening the rules? Should there be root-and-branch reform of the rules, or should there be an adjustment?

Sir Amyas Morse: I think it should be clear who in the hierarchy of Government is responsible for this, and that person should be capable of making their voice heard throughout Government, and I don't think that is so. It needs to be materially strengthened from where it is, not necessarily in the detail of the rules, but in what I'll describe as the enforcement side of the rules.

It is not actually the rules that are particularly wrong; it is the enforcement side—the fact they are not being enforced. I would start with that before spending a long period of time drawing up a new set of rules.

- Q82 **Chair:** The whole concept of the Advisory Committee on Business Appointments is that there is nobody to enforce the rules except Departments themselves, and they are inherently conflicted because the senior people in the Departments, including Ministers, may be very shortly looking for a role in the private sector.

Sir Amyas Morse: I am not disagreeing with anything you say, Chair. If the advice was to give advice to a senior responsible person, that would be a different matter.

- Q83 **Chair:** Okay, but in the Cabinet Office, I think we are all familiar with fact that there are a few people who have responsibilities that are stretched over other areas who are actually responsible, for example, for ensuring that Departments publish data.

Now, Departments are publishing a bit more data, and it is interesting that the effect of transparency is to further expose the system to criticism because there is more information for critics to chew upon. But there seems to be no consistency across Departments about how the rules are applied, and the data that is published. What sort of recommendation would you make about the capacity of Government to run this system, even if it is going to be run under the current scheme?

Sir Amyas Morse: If a very senior person was personally responsible for making this work, speaking for what we do in the NAO, it would make it



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relatively straightforward to do reports where you have somebody with clear responsibility and a duty to make sure that they give direction to Departments, and Departments are under obligation to take account of that direction. You could actually get something that worked quite—I don't think it would be enormously difficult to do that, but you would have to have someone who had actually taken that responsibility on board.

Q84 Chair: Who should that person be: the Prime Minister's adviser or ministerial interests?

Sir Amyas Morse: No, I think it should be the head of the civil service. I think it should be a person who has that pervasive authority, and in whose interest it is to protect the reputation of the civil service.

Q85 Chair: What about the non-executive directors of Government Departments? One of the recommendations we made is that there should be a nominated non-executive director responsible for overseeing this in the Department.

Sir Amyas Morse: Yes, I think that is a good idea. Bear in mind, though, that a lot of these departmental boards are advisory in nature, so you need to fortify that appointment so it is clear that what they say is not just being proffered in an advisory way, so there would be some accountability: the advice would be given on the record and there would be accountability for taking it.

Q86 Chair: I would like to put it on the record that we have experienced the same kind of reluctance to engage—we were meant to have a response to our March report by June, but we have been forgiving. We have now written to the Government to say that the delay is unacceptable. The last time we had to wait two years for a response to our report. We will return to the subject, but thank you very much for the interest that the NAO has shown in the matter.

Sir Amyas Morse: I am extremely supportive of what you are doing.

Q87 Chair: Moving on to future payments to the European Union, the Government are negotiating at least continued participation in EU schemes or projects, and they will need to agree with the EU a mechanism for determining the associated contributions. These contributions may not remain constant from year to year. The accounting, assurance and audit regimes will need to be agreed alongside this. Then there is the question of whether we continue our contributions during an interim or implementation period. What controls do you envisage that Parliament should be able to put in place in order to give the public confidence that the payments being made to the EU during the transition period or afterwards actually reflect what one presumes Parliament will have agreed if we approve an exit deal?

Sir Amyas Morse: Let me start with the easiest bit of the question, where you said earlier that there might be some payment for continuing to take part in specific activities enduringly with the EU. In that case, it would be a question of there being clarity about how the accounting and auditing was to be done on that. If we were part of that, we would be happy to play our



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part in looking at it and saying what was received and at what cost. So that bit of it is not too complex. It would be quite important that it not all be remitted to the European Court of Auditors; we would need to play our part in that on an equal basis.

As far as any payments in regard to an interim arrangement are concerned—or any other payments, actually—I imagine that Parliament will want to have assurance about them from the NAO, if it is something that we are competent and able to give an assurance on. I expect that will be the case. If there is a continuing payment, there would be a question on what terms. If there is a divorce payment—if I can describe it like that—what are the heads under which that has been worked out? Has it been worked out reasonably? Did the payments that were appropriated subsequently happen? That is quite an important consideration because, as you will be very well aware, in EU accounting there is the appropriation of funds and then there is a question of subsequent expenditure. Does that subsequent expenditure actually take place?

It will be important to think about things like that and to have an approach to looking at the detail of how any such charges or payments were worked out, how they were aggregated and whether, added together, they came to the total amount that was actually paid or whether there was some excess amount, and then to look at what that was paid for. It is just an ordinary, fairly straightforward accounting due diligence examination, as I see it.

Q88 Chair: Yes, but at the moment, of course, we just have to pay what they ask for, because we are subject to the jurisdiction of the Court of Justice and the Court of Auditors.

Sir Amyas Morse: You mean as a member?

Chair: Yes, as a full member. If you remember, when they decided that we owed an extra £1.5 billion and David Cameron, who was then Prime Minister, said, “I’m not paying,” he had to pay.

Sir Amyas Morse: That’s right.

Chair: Now, if we are in an implementation period where effectively the same applies, everything you have spoken about will be off the table; we will just have to pay.

Sir Amyas Morse: That depends on the nature of the agreement.

Q89 Chair: Yes, but if the agreement itself is ultimately adjudicated by the European Court of Justice, which is binding on Parliament, then Parliament gets no say over how the moneys are calculated; correct? So what would your advice be to Parliament if we were offered an arrangement where we were subject to the same draconian enforcement arrangements but we had no say in what the European Union was actually deciding to spend, because we were no longer a member of the European Union?



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Sir Amyas Morse: Pardon me for using the word “hypothetical,” Chair, but that is quite a hypothetical question. I have even heard it discussed that we might just offer a sum of money without any detail attached to it at all. There are lots of different ways in which these arrangements might go. In any case, where we have the opportunity to provide Parliament with assurance, we will do so.

Q90 **Chair:** But you seem to be suggesting that, in the scenario I am describing, the agreement should set out the finite payments that we are going to make; that they should not be subject to interpretation.

Sir Amyas Morse: Well, they perfectly well might be subject to interpretation, but the interpretation needs to be—forgive me; I am aware of the fact and I have it in my head that, in order to answer these questions with any degree of specificity, I am thinking about my experience of working on large deals in the corporate sector. That may or may not be the best way to think about this, but it is how I am thinking about it just now.

Quite often you have debates in principle about how something should be measured, whether it has been measured accurately and all that. It is quite normal to have those sorts of debates as part of a major transaction, and I would expect them to happen here. If you were not allowed to debate things, then obviously—I am sorry to sound so lame—you wouldn’t be able to do so. But assuming that there was a normal process of discussing both the principles and the application of those principles to arrive—I mean, the EU has put forth a set of heads under which they expect to be compensated, so it is not like they have not given us a framework. There is a framework there, and the question would be: “Well, if there’s an agreement, can it be measured against that framework?” That should allow an examination. I have got no further than that, but that seems to me a reasonable approach and I hope to have a dialogue with the Treasury about that going forward, as I told the Treasury Committee.

Q91 **Chair:** Thank you. But how can taxpayers be sure that the UK Government are being required to pay only for expenditure actually incurred and paid by the European Union at the time, rather than for some future liabilities such as pensions, where we are effectively paying into a pot for their convenience, which of course the British Government would have to borrow in order to pay?

Sir Amyas Morse: May I pick two or three strands out of that question? First, of course, there is a question of timing. In other words, if I am paying you something today for a liability that you are not going to have to pay for until the future, it is not unreasonable for me to discount the amount of money I offer to pay you today—I’m sorry if this is terribly basic. That is how you quite reasonably take account of that. You either make your contribution later as well or, if you are going to pay up front, you expect it to be discounted.

I tried to say this earlier but let me say it again. The way the EU does its funding appropriations is to appropriate funding against planned



expenditure, and then in the future the money gets spent or doesn't get spent. I imagine that you will want to have some assurance about that in the event that the expenditure doesn't actually happen, for whatever perfectly legitimate reason. You will want to have some ability to understand what happens then. Either that could be adjusted by making some discount in the sum specified in the first place, or there could be a clawback mechanism—there are lots of ways of approaching these things.

I am being specific to give some flavour to it, but how you examine these things will depend so much on the nature of any such agreement. There are methods for doing so, which are mostly quite well-established.

- Q92 **Chair:** How much confidence should Parliament place in the accuracy of figures that are presented to the United Kingdom by the European Union? We often hear that the European Union's accounts are qualified—perhaps more for a technical reason than a non-technical reason. How much can we rely on the veracity of EU accounting practices? How much can we be assured that what we are being told is—what's the term?—a full and accurate presentation of the affairs of the European Union?

Sir Amyas Morse: Well, you have described it. It is true that the European Court of Auditors has qualified the account for a long period of time. It is also true that, in our view, the materiality levels that the European Court of Auditors uses are much lower. Therefore, they look for accuracy in greater detail than what we think is advisable for an organisation of that size. Oddly, we are more liberal-minded about these things than they are. You are not surprised by that point.

On the whole point about having your own advisers, I hope that the UK, in conducting any negotiation, would have expert advice—there is certainly plenty available. From Parliament's point of view, the whole point of having a highly sceptical assurance process is that you are not taking anybody's word for anything. I am not in the word-taking business myself.

- Q93 **Mr Jones:** The difficulty is that the negotiations are in two phases. We are in the first phase at the moment, and we are seeking to agree a settlement of what they say is our outstanding liability as a member of the EU. You will have seen various figures bandied about. They range from zero, according to the House of Lords, to as much as 100 billion—I am not sure whether that is euros or pounds, but at that stage it doesn't really matter very much. The temptation will be for the EU to try to get the highest possible sum agreed at this stage in order to pass on to the second stage of negotiating our post-withdrawal relationship. There is the potential for the sum agreed to include an element of a sweetener for the second stage of the negotiations. How would the NAO approach such a payment of a sweetener? You said it is just the payment of a sum, but clearly you will want to scrutinise that.

Sir Amyas Morse: Modestly—let me start with that—I am aware that I am giving you a characterisation of this based on a theoretical scenario, but let me carry on with that for a minute. If you have examined the detailed heads of claim, worked out what a reasonable range for all of

them is and arrived at a total, and then you look at the actual amount paid and there is a bit of a difference, you would ask, what were the reasons for making that additional payment and what value is asserted for it?

Any veteran of the HS2 business case would tell you that a lot of secondary and tertiary economic benefits are cited in some large business cases. There are expert ways of evaluating, although I do not have that expertise myself. You can get a range of economic valuations for something and then arrive at an average score; there are respectable ways of doing that. I assume that you would be able to make some attempt to look at it. If there were no way of doing that, obviously we would have to stop at the point of evaluating it and saying that there was a gap in the amount, but we would go as far as we could to give assurance to Parliament.

Q94 Mr Jones: Would Parliament have difficulty in approving such a payment in some circumstances?

Sir Amyas Morse: It is quite tough for Parliament to get comfortable about any large payment with a highly technical background as its basis. If I tell you about a very large sum of money that is justified or supported by a lot of extremely technical negotiations, assurances and so forth, and the net result is that you should okay it, that might leave you wanting to understand it in more detail, but then you might think, "Well, how much detail can I go into?" Part of our job of providing parliamentary assurance is to try to bridge some of that.

At the moment, we are publishing briefings about Brexit, rather than critical reports, to try to raise Parliament's level of knowledge of what is being done. We see that as partly, though not solely, our job: we exist to help Parliament to hold the Executive to account. To bring that specifically into this case, I would say that so far as our assurance work can help Parliament to evaluate what is being proposed to it, so much the better.

Q95 Mr Jones: Is your office in contact with the Court of Auditors to discuss the calculation of the UK's assets and liabilities?

Sir Amyas Morse: No.

Q96 Mr Jones: Would it be helpful if it were?

Sir Amyas Morse: It could be at some point, but I am uneasy. We have a good relationship with the Court of Auditors; we do work with it on EU matters and we carry out its auditing work in the UK. But on this matter, have I had a discussion with it? No.

Q97 Mr Jones: Do you anticipate any difference of approach between the NAO and the Court of Auditors in terms of calculating the assets and liabilities?

Sir Amyas Morse: I certainly don't regard it as impossible that there could be a difference.

Q98 Mr Jones: Why do you suspect that that difference might arise?



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Sir Amyas Morse: No, that is taking me too far. I don't know. In principle there could be a difference; there is often a difference between auditors on different sides of a transaction. Could there be a difference? Yes, there could. Do I know what it would be? No, I don't.

Q99 **Mr Jones:** Do you think it is possible to calculate the UK's assets and liabilities with any degree of accuracy?

Sir Amyas Morse: The problem is not whether you can calculate it, but how many versions of it you can come up with.

Q100 **Mr Jones:** So it is really a question for the negotiators to agree the methodology.

Sir Amyas Morse: Yes, that's right. That is exactly what we are negotiating for. You have absolutely hit the nail on the head: that is what I think we are negotiating about at the moment.

Q101 **Chair:** If the methodology is agreed and it arrives at certain figures, wouldn't it be better for those figures simply to be agreed at a political level, rather than subject to further interpretation and dispute at some later date—or is that unavoidable?

Sir Amyas Morse: That is entirely up to political fortune, so I don't think it is really a question for me. Whatever level of detail is presented that can be looked at, I will be happy to look at it.

Q102 **Chair:** But are we having unreasonable expectations that the NAO should be all over this as the payments are being made and calculated a year or two down the track? Is that unreasonable? How unreasonable is it?

Sir Amyas Morse: I am not sure about "all over it," but I think it is highly likely that any agreement that is made—I know this is all notional—Parliament will revisit many times. The reason is that evidence will appear in retrospect. With the benefit of hindsight it will look different—that is always what bedevils people who have to negotiate anything. With the benefit of hindsight, people say, "Why didn't you think about this or that?" That always happens, and therefore I would expect it to happen in this case.

Chair: But then it is about what is in the contract, not what was the basis for the discussion in the contract.

Q103 **Ronnie Cowan:** From a slightly different position, if the methodology is agreed then we know what small bills are going to grow up to be bigger bills, and we ought to know what the cost of leaving the EU is going to be. Why shouldn't that be shared with people, so that we understand it? If you have been given a large bill from a garage, and they say, "That will cost you £400," you may be sceptical. If they tell you detail by detail the jobs done, the materials used and the time consumed, then you pay the bill. If you trust the garage, maybe you just pay it anyway. If we have mistrust between the EU and the UK, I would have expected the detail to be very important to this.



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Sir Amyas Morse: Yes, it will be, so I agree with you. I think being transparent about it is better. As far as possible, in our small way, we are trying to raise the level of transparency.

Q104 **Chair:** Can I just clarify two things that you said? You said quite early on that as the payments are being made we should play our part on an equal basis. What did you mean by that?

Sir Amyas Morse: What I mean is this: if you have a bilateral negotiation and both sides have got somebody checking the numbers, they have got to be able to form an independent view and advise, and there has got to be an exchange of views and, if necessary, a debate; you just have to allow that to happen. It may well be that the issues can be resolved through that means. They normally are, but none the less—

Q105 **Chair:** There might be a dispute resolution process. Also, you said you are ready for a dialogue with the Treasury—I can't remember if you used exactly those words. Can we urge you to have that dialogue with the Treasury?

Sir Amyas Morse: Certainly. I am very confident that it is going to take place.

Q106 **Chair:** They are not holding you at a distance?

Sir Amyas Morse: No, they are being very co-operative.

Chair: Thank you very much. We will move on to the final topic, which is HS2.

Q107 **Dr Huq:** HS2 is a bit of an issue at the eastern end of my constituency. It is not very popular there—the compensation arrangements and that kind of thing. You had to qualify HS2 Ltd's accounts this year, so obviously something has gone wrong with their accountability: poor lines of communication between HS2 Ltd and DFT, a lack of DFT structures to ensure oversight. What are the underlying causes of all those problems?

Sir Amyas Morse: Just to be quite clear about what the problems are, first of all, we found that HS2 had a system of redundancy payments that were more generous than the Government pay guidelines allowed. We had a hearing about this very recently at the PAC—the PAC has not yet issued its report on that hearing so, in fairness, there is a bit of sub judice about it, but let me carry on. They found that there was a system like that in place; that these payments happened, and they were not regarded as regular as a result, from the point of view of my audit, and that is why I qualified the accounts.

As to any symptomatic points that come out of it in terms of culture and so forth—what I end-control—I think that there are a lot of benefits to having people with a corporate background coming into the public sector. HS2 sets out to be a very dynamic, fast-moving organisation—I am briefly parsing what they say about themselves—and most of its leadership has a commercial background. What you are allowed to do in the commercial world is different from what you are allowed to do in the public sector.



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Therefore, there is a learning process going on. There are things that still need to be nailed down, but my overall impression is that the degree of seriousness with which HS2 has taken those issues has been high, and there have been consequential changes in senior management. I am not saying that—

Q108 **Dr Huq:** They keep losing CEOs, don't they? That looks careless.

Sir Amyas Morse: Yes, and the HR director too. I am not accusing them of failing to take these issues seriously. It is important that they drive through the changes fully, but from what I have seen I am quite convinced that the reaction was pretty serious.

Q109 **Dr Huq:** To what extent is that a consequence of the relationship between DfT and HS2, rather than the HS2 directors themselves? There is some lack of clarity about whose role ends where.

Sir Amyas Morse: If that was the case in the past, it certainly is not going to be now. Having had a very detailed examination of all that in the PAC, preceded by our detailed work on it and the discussions we have had with executives there and so on, I am hopeful that it is not something you will see happening in future.

Dr Huq: I also have Crossrail in my seat—I seem to have all the big infrastructure projects—and Heathrow goes overhead.

Sir Amyas Morse: Congratulations.

Q110 **Dr Huq:** But I do not have the same sorts of problems with them, and things like cooking the books with the redundancy payments have not arisen. HS2 are seen as aloof and they are very cavalier with my residents. I wondered why similar problems have not arisen with Crossrail or other projects.

Sir Amyas Morse: Crossrail, in a funny way, has had the benefit of the fact that it was delayed for quite some time at the beginning. There were certain issues that had to be resolved, and therefore they spent quite a long time planning carefully how they were going to carry out the project. Unlike HS2, it could not be announced one day, started the next and off we go; there were parties who had to buy into it who could not be forced to do so, and as a result the delay at the start of the project was very much criticised at the time.

However, I feel that the project benefited a great deal, because an awful lot of things had to be resolved before it could go forward, as a result of which it is now held up as a shining example. That is partly because all that issue resolution happened. It was much more like what you see in a private sector project, where you have to bash everything on the head before you get the money. That is really the test. If you cannot get the money without satisfying all those questions, then you have to deal with it. You cannot say, "Oh well, I won't bother with that; we'll deal with it later." You have to sort it out, and to a large extent that is what happened.



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Q111 Dr Huq: Having said that, there is a perception that Crossrail is moving faster in east London than in west London. I think they have had a new station there, Abbey Wood, whereas platform 4 at Ealing Broadway still has not been lengthened.

Lastly, what is your assessment of how effective the Government-owned company model that has been going on with HS2 is? Is that the way forward for major project delivery?

Sir Amyas Morse: It clearly has advantages and disadvantages. Its advantage is that if you are relying on a lot of people with a business or corporate background it is a more familiar context for them. That is quite good. On the other hand, as we have just been discussing, it can be a bit of an uneasy fit into the public sector. You are trying to encapsulate a private sector culture, and it can lead to awkwardness if you are not very thorough about nailing everything down tight. I can understand why it happens. Of course, the other reason for it is that it tends to allow people to argue for—quite apart from a redundancy programme—pay levels that are not always within public sector pay norms, if there is a sufficiently strong case for that. There are a number of reasons why it has become a popular vehicle in Government, and we have commented on that.

Q112 Sandy Martin: You say that there are issues with governance with HS2 and the churn at the top. Do you believe that the current company is capable of getting its governance sorted out?

Sir Amyas Morse: It is certainly capable of it. Does that mean I am guaranteeing that it will happen? No. But is it capable of it? Yes. I know that the Department is very committed to making the governance work and strengthening it. I have heard that directly from the permanent secretary, and I would therefore expect to hold them to account if that was not the case.

Q113 Sandy Martin: You do not believe that there is anything the Department needs to do that is more proactive in ensuring that the governance is right.

Sir Amyas Morse: I think they have done most of that.

Q114 Sandy Martin: Can we be confident that these sorts of governance issues do not exist in other similar structures within Government?

Sir Amyas Morse: I am not broadcast confident. They do exist more often in some types of corporate or arm's length bodies. You get problems about travel expenses and things. The issues fairly regularly crop up, and that is why I characterise it as one of the inherent things that can happen. It is not always the most comfortable fit. Having a little envelope of private sector business culture sitting within the public sector can mean that you have to manage that very carefully. It does create problems from time to time, and I find that a crop occurs every year with one or two.

Q115 Chair: These payments are minute in comparison to the other costs of the project so far. It is the sheer expense of planning and thinking about a project like this that already tests the reputational management of the



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company. For this to then emerge is reputationally very damaging for HS2. Are you aware of any lessons learned review of this being conducted in Whitehall, or anywhere?

Sir Amyas Morse: I am hoping that our report might be regarded as a lessons learned review. I am certainly very content that the Department for Transport has taken the lessons on board. What the NAO does with a report like this—now that we have had the hearing and while the PAC's report is finalised—is have a sit down with the accounting officer and talk through what we have all learned from the report. We do that habitually nowadays.

Q116 **Chair:** It has been suggested to me that this Committee should do a governance review—merely a governance review—of the relationship between HS2 and the Department.

Sir Amyas Morse: That is a good idea.

Chair: We did an inquiry on the relationship between public bodies and their Departments in the last Parliament. It was called, "Who's accountable? Relationships between Government and arm's-length bodies". This might be a good test study to conduct.

Sir Amyas Morse: May I offer a comment on that? That would be interesting, but I would allow a little time to elapse before you do that, to see whether the current changed arrangements actually work. If they do or do not work after a year or so, it would be worth looking at them and saying, "What does this tell us? Why did you or didn't you learn from that experience?" They have had a fair bit of review in recent weeks and months. Whether you want to look at it right this minute is entirely up to you, but you might be coming along and checking that things have been done properly when doing that a little bit down the road might also be good.

Q117 **Chair:** Do we know when the PAC will publish its report?

Sir Amyas Morse: It will be within a week or so.

Chair: Thank you very much for all of that.

Sir Amyas Morse: It was my great pleasure. Thank you for inviting me.

Chair: You have shown a grasp of every subject we have asked you about, and it has been very helpful to us. Thank you for the work you continue to do. No doubt we will see you again at some stage.