HOUSE OF COMMONS

Public Accounts Committee

Oral evidence: Driving Value in Public Spending, HC 1596

Wednesday 12 December 2018

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Watch the meeting

Members present: Meg Hillier (Chair); Chris Evans; Caroline Flint; Nigel Mills; Layla Moran; Stephen Morgan; Anne Marie Morris; Gareth Snell.

Sir Amyas Morse, Comptroller and Auditor General, Adrian Jenner, Director of Parliamentary Relations, National Audit Office, Siân Jones, Director, NAO, and Richard Brown, Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-124

Witnesses

I: John Manzoni, Permanent Secretary, Cabinet Office, and James Bowler, Director General Public Spending, HM Treasury.

HOUSE OF COMMONS

Report by the Comptroller and Auditor General

Improving government's planning and spending framework (HC 1679)

Examination of witnesses

Witnesses: John Manzoni and James Bowler.

Chair: Good afternoon and welcome to the Public Accounts Committee on Wednesday 12 December 2018. We are here today to look at how the Cabinet Office and the Treasury work together to plan public spending. We are particularly concerned about how taxpayers' money is spent of course, but also about the wider public value of how Government spend their money. We have done reports on this in the past. In 2016, we recommended that you work together more, as Departments, to ensure a better approach to value-for-money funding. We obviously know what the Treasury does—it grants the money and monitors the spending—and the Cabinet Office oversees the planning. We are trying to see how that has progressed since we last looked at it.

Before we do that, I will introduce our witnesses. Layla Moran will then come in on a separate issue—to give you notice, Mr Manzoni—on Interserve. From my right to my left, we have John Manzoni, who is the permanent secretary at the Cabinet Office and a regular attender at this Committee, and James Bowler, who is the director-general for public spending at the Treasury.

Ms Moran, would you like to kick off, on Interserve?

Q1 **Layla Moran:** Mr Manzoni, it will probably come as no surprise that, given our work on strategic suppliers, we were very concerned to hear about the Interserve story. Did you see it coming?

John Manzoni: We have been in touch with the company for quite a long time, of course, and in regular dialogue with it. We were aware before its refinancing in April. I think the answer is that we knew that the situation with cash in the company was relatively tight. We are also aware, though, that this is a very different picture from Carillion. This company has basically sound businesses, with a couple of issues in the energy-to-waste sector, which have caused problems for it, so we have been in discussion with it for a long time about this.

Q2 **Layla Moran:** Obviously, we saw the internal papers, and it didn't flag in my mind as one of the companies of concern. However, I see from yesterday's *FT* that you will continue to award it contracts. Is that wise, until this has worked its way through?

John Manzoni: I cannot comment on the *FT*. The answer to your question is that, provided it passes the financial tests, we are not legally allowed not to award it contracts—if it bids and wins. So we have a process where all companies that are qualified can bid for a contract. We do financial tests for each company for each contract. If they pass those tests, they are qualified to bid for those contracts. In the last very short period, Interserve has not bid for any contracts, but it has certainly bid for, and won, some contracts since April this year when it refinanced. All that has happened is that, when that refinancing happened in April, it articulated the need for further refinancing, which was going to be this January. What happened over the weekend is that it pulled that into December. That is what caused the noise over the past weekend. It pulled it forward into this month, and that is what has created the focus on the company.

Q3 **Layla Moran:** The issue with allowing them is that you cannot stop them from bidding. You cannot not award it to them, because of the legal—

John Manzoni: Provided they pass the financial tests.

Q4 **Layla Moran:** Do you believe that they will?

John Manzoni: I am not going to speculate. It will depend on the contract, the level of exposure, the length of exposure and all sorts of things, but proper tests will be done each time that the company now chooses to bid. The company has announced its method of refinancing, a debt-for-equity swap and one or two other things, so we believe—for what it is worth—that given that this is a sound company, that is actually fine. As far as the Government are concerned, as a client, it does not matter who owns the company, provided that its services continue.

Q5 **Layla Moran:** Sure, but if this is the same framework that allowed bids to keep coming in from Carillion over the period that it was having issues, can you see why we have concerns?

John Manzoni: Of course I understand. I am trying to reassure you that we are watching it very carefully. As far as I am aware, there are no bids that are imminently about to be awarded—so far as I am aware, no imminent bids are about to be awarded to Interserve. As I say, we have awarded it contracts since April, and the market does move very quickly on these things, but I think that our underlying message on this—because we have been aware of the situation of the company—is that this is a sound company. There is a bit of a cash crunch, and that is why it has accelerated its refinancing activities, but we still believe—provided that all goes through, and we have no reason to believe that it won't—that this company will be sound, and we will go into the new year and be in a different place.

Q6 **Gareth Snell:** When we looked at the previous strategic supplier, we looked quite a lot at the Crown representative system. Given that we now have another large company that potentially has problems going forward, how much confidence should we put in the Crown rep system to be able to identify and deal with those things before they become a problem that is splashed over the front pages of national newspapers?

John Manzoni: We do not attempt to direct the activities of any company. We cannot do that. We cannot become insiders of the company, so I don't think we will ever be able to prevent it from being in the newspapers. The Crown rep who in this instance has been involved is regularly in touch with the company and has been in multiple meetings with it—as have I, since April, with the chief executive and chair of the company, talking about their situation. So the Crown rep in this case is integrally involved and fully understands—

Q7 **Gareth Snell:** Will you expand on that for me? Obviously the Crown rep is not a board member, but significant amounts of public money are funnelled into Interserve to deliver public services on behalf of my constituents and the constituents of many in the room, so when you say "integrally involved", what does that actually mean?

John Manzoni: Sorry. In close dialogue with the company, understanding the company's position—that is what I mean. That is what the Crown rep does.

Q8 **Chair:** Has that Crown rep been in post all the way through?

John Manzoni: I think this one has, actually.

Q9 **Chair:** The same person?

John Manzoni: I am pretty sure that's right.

Q10 **Gareth Snell:** How long will that have been, Mr Manzoni?

John Manzoni: I don't know the answer to that question. He—it is a he—is a very experienced Crown rep. I don't know exactly how long he has been Crown rep for Interserve. I can find out for you, but there hasn't been any change here. As I believe I have said to you before, the Crown rep is the top of the pyramid, if you like. There is a full-time team underneath that Crown rep, which is also in dialogue with the company. That was the conversation we had around Carillion. In this case, I think he has been consistently involved with Interserve.

Q11 **Chair:** Does Interserve have a living will?

John Manzoni: We have only just begun that process, so it is beginning that process—it will be one of the pilots.

Q12 **Chair:** One of the pilots—that's handy in the circumstances. How long do you expect that to take?

John Manzoni: I don't know the answer to that because we have only just begun. The conversation post Carillion, we can talk about that. Post Carillion, there has of course been a long process in which we have been in dialogue with our main suppliers—so a collaborative process, which I think has made great progress. Living wills is one aspect of that process. We have announced certain things, including prompt payment, which was announced just a few days ago. To insist on prompt payment, should-cost modelling, make-or-buy decisions being formalised—a whole series of recommendations coming out of the post-Carillion, lessons-learned activity, which I believe over time will significantly change the relationship between the public and the private sector. Living wills is one aspect of that, as were the financial tests that I have just described, so we are in action on those.

Chair: I think we will come back to that, but before we come back to it properly, I bring in Gareth Snell again.

Q13 **Gareth Snell:** When the Committee looked at Carillion, we asked if there were any other companies that we might want to keep an eye on, but we were told what the Crown reps were reporting: that the reports that were coming back to the Cabinet Office were okay. Given that that was clearly not the case with Interserve, as we now know, from the dialogues and conversations that you have been having with the Crown representatives in the other large strategic suppliers, are there any concerns? I am not asking you to name who they are or what those concerns might be, but are there any other concerns about other strategic suppliers that might become newsworthy in the next quarter?

John Manzoni: In the next quarter?

Gareth Snell: In the next quarter, or the next six months. What keeps you awake at night?

John Manzoni: Who knows? The markets can be—

Q14 **Chair:** Say the next month—a quarter lets him off the hook. Over the next month, or the weeks ahead, will there be any headlines?

John Manzoni: There have been some things. There has been Babcock—I am not saying anything that hasn't been in the newspapers—and Kier has just put out a rights issue, and the money will be in the bank fairly soon. These companies are all refinancing and they are all actively working in the capital markets, which can be fickle things. I cannot possibly make any predictions, but we are watching all of these. We are looking at them. For example, Capita—we have had conversations in this Committee before about Capita, Serco and one or two others—we are watching them all. If you just look at the share prices, you can see what the markets are thinking about these companies.

Q15 **Chair:** I have to say, from the secret strategic supplier papers that this Committee had the privilege of seeing—which we didn't release, although much of it was stuff that is in the public domain, obviously—

John Manzoni: Yes, I think it is the aggregation of it—

Chair: We will return to this at some point. Our sister Committee, the Business Select Committee, might be looking at the Interserve case in particular. Anyway, we will leave that there for now, because we will come back to it. I ask Caroline Flint to kick off on the report's scope.

Q16 **Caroline Flint:** Two years ago, the Public Accounts Committee suggested that you set up a HM Treasury-Cabinet Office joint framework. What progress have you made on that framework, in particular in dealing with planning and management of Government business ahead of the spending review in 2019?

James Bowler: You did, and we agreed with that recommendation. The main progress is that the SDPs did not exist in the last spending review—they came out of the last spending review—and they will now be a key input to the next spending review. They have improved year on year, which the NAO Report recognises, and they will provide the baseline for the next spending review in three areas: performance, finance and delivery. That is a significant improvement on our input to the spending review 2015 settlement and—I am sure that this will be throughout the rest of this evidence—John and I, Cabinet Office and Treasury, work very closely and much more jointly than before in delivering that.

Q17 **Caroline Flint:** Mr Manzoni, do you have anything to add to that?

John Manzoni: At the macro level, we had a couple of jobs to do. The first job was to bring what I might call the outputs of a Department, whether that be a manifesto commitment or subsequent policy decisions, but the series of outputs that the Department had to deliver, together with the inputs, which was the Treasury settlement—the finances available to the Department to deliver the outputs. That was the focus, initially, of the SDP—to bring those two things together. It didn't perhaps use to matter so much when there was more capacity to deliver whatever outputs there were. As we have gone through a period of relative austerity—fiscal constraint—that has come to matter a great deal more. So the matching of the outputs and inputs becomes increasingly important, and as you know, we have been through several cycles of SDPs and they have got progressively better, in doing that as we go.

Q18 **Caroline Flint:** What has made them get better?

James Bowler: Focus. Practice. Attention. Capability-building of the planners and the parties in the Departments—and also, of course, at a macro level, the implementation of the functional matrix across our system, which brings a delivery axis at the point of execution in the Department. All that can come together, so that we can actually get—let us just call it a business plan. We didn't use to have that level of detail.

By the way, they start by saying, "What are the five—or 10—critical objectives this Department has?" The really important thing about it this time—in the spending round for this time—is that we now have those. So a way of thinking in the Department—a way of organising resource, a way of thinking about the priorities—is now set in that SDP. That will create the frame in which the Department thinks about its allocation of resources as it goes into the spending round.

Q19 **Caroline Flint:** The Report acknowledges that whilst cost-controlling is a strength, and there is no doubt that has been going on for some years, there is still a weakness in terms of the more medium and long-term planning. If you look at figure 6 on page 28 of the Report, there are some examples ranging across financial sustainability of local authorities in 2018, sustainability and transformation of the NHS, developing new care models through NHS vanguards, ensuring sufficient skilled military personnel, and improving children and young people's mental health services. They are all from different Departments but they all show that, actually, when it comes to long-term planning and the spending needed for them, there are huge weaknesses in those areas. So, I don't want to pre-empt my colleague Anne Marie Morris, who will go into more detail about the SDPs, but again when you compare that with the NAO survey of the officials involved in business planning and spending, only 53% told the NAO that their 2018-19 single departmental plans aligned proposed deliveries with actual capability and capacity. So are you not concerned still about the skills and the focus needed on that much more medium and long-term planning? I shall get on to value for money and what public value is in a moment, but I would really like your comments on that weakness, and how more joint working is trying to deal with that.

James Bowler: I think the first thing to say on long-term planning is, it is worth establishing that the UK is one of only five countries in the advanced economies that actually does fixed multi-year departmental budgets. Iin virtually every other economy, if you were in Department X you would not have absolute clarity as to what your budget was next year or the year after. The UK does that, and it has done that under the last Government and carried on under this Government. I think that is a massive strength to long-term planning for budgeting.

The second point I would make is that we do even longer-term planning than the three-year spending review in certain areas, where we think that benefits: so the defence equipment programme, which you may have more to say on, in infrastructure more recently, and capital spending more generally. This relates to some of the points on page 28, on the NHS.

Q20 **Caroline Flint:** You talk about the challenges of SDPs. Quite clearly, one of the challenges is prioritisation and delivery. The NHS long-term plan is a good example of that.

Two years ago, we raised the issue of how you develop a joint framework between your Departments. I am trying to understand. I do not want to go too much into the detail of the SDPs because I think it is wider than that. You have an impact on how Departments prioritise. Cost-cutting and keeping on target for spending is a completely valid thing to push for—it is right—but that may have an impact on value for money down the road, and short-term decisions or annual decisions may be being made. To take the example of mental health services for children and young people, that does not allow the creative thinking to have a sustainable model that, in the long run, will save money and have better outcomes. That is a problem.

Your Departments are overseeing this agenda, and of course every Department is having to follow your lead and your direction. How are you going to fix this to create the space for that sort of planning and spending, and bring it together?

James Bowler: We are improving our planning and spending. In the kind of examples you have given, we set long-term budgets and ask people to prioritise and plan within them. We try to help them deliver that, most notably through the SDP process. There are occasions, particularly in the last couple of years, when the assumptions that underlie our long-term plans or multi-year budgets have not come to pass.

Most obviously, in the NHS—I will come to mental health—the five-year plan set out in 2015 had an underlying assumption for demand, an assumption for productivity and other things. This year, we decided that pursuing those budgets, given that the demand assumptions underlying that forecast had changed and that the productivity assumptions underlying the budget had changed, would be dangerous for value for money, or would potentially not be good for value for money. For precisely those reasons, we have now set a higher five-year budget with different assumptions underlying it, and a 10-year plan to come out.

Child mental health services is precisely the type of example that now gives both the funding and the certainty to try to move to better value-for-money assessments. We are doing two things. We are trying to get people to prioritise and plan more successfully and learn from the past in doing that. That is a big focus for the next spending review. Obviously, it is our preference that they live within the budgets that they are set. A prerequisite for value for money is cost control. If that isn't the case, we have had to put more money in in various areas.

Q21 **Caroline Flint:** What do you define as value for money?

James Bowler: Turning inputs into sensible outputs and outcomes under a business case that shows that that is the best way of doing it.

John Manzoni: May I add something? As a boss of mine used to say, in business, the trouble with the long term is that it is always made up of a lot of short terms. Capital markets are on a quarterly cycle, and we have to look at the long term. It is always a trade-off. Through the SDP process and the articulation of those objectives, what this isn't is, "Oh heavens! I've now got to do a spending settlement with the Treasury. We have to go and to that process." We have an annual look at a long-term plan, which is updated annually in the light of the circumstances. We start with the objectives and drive towards them. As I said, we didn't do this in 2015, because they didn't exist, but in 2019 we will set the frame for the spending round. I spent a lot of my time in the MoD talking about a long-term transformation for how it can live within a particular budget. In the health system we are just putting a long-term plan in, and in the court system we are making fundamental change to how justice—

Q22 **Caroline Flint:** I don't disagree with you, Mr Manzoni. In fact, if I were thinking about my own area and addressing some of the problems around mental health services, I think that those on the ground get a bit fatigued by big plans. They can see, as you rightly say, that there are some gaps in the services that absolutely need to be filled. Only when you fill those can you then build out from that. Sometimes there are more immediate concerns, like having a skilled staff and creating the workforce that is needed. There is no point in saying, "We're going to have this," if that doesn't happen. What do you see is the biggest challenge to bringing the planning side, which has to be a mixture of short, medium and long-term, together with the spending in a way that creates those outcomes? At the moment, it seems that that is still a weakness across Departments.

John Manzoni: As ever on this Committee, I am optimistic about what is about to happen, as opposed to necessarily optimistic about what has happened.

Q23 **Chair:** It is always going to be better tomorrow.

John Manzoni: It is half full, and tomorrow is always better today. The fact that we have now had three cycles of SDPs means that, as we go into the next spending round, we will be able to explicitly make those trade-offs. I don't know that we were able to do that in the 2015 spending round—we just did not have the apparatus for it—but I think we can do it this time round.

James Bowler: I will offer you an answer to the challenge if that is helpful. I think there is a challenge in moving from inputs to outputs to outcomes, and I think to a certain extent things have been quite input-focused. If you read manifestos, they are quite focused on how much money will be spent, but less so on the outcomes. For the UK system, that is now at its height in comparison with the past: you show your commitment through how much money you spend. I think it is beholden on us to try to move that, through the SDP process in particular, towards what you are going to get for the money that you spend.

Q24 **Chair:** You mention SDPs. We will come on to them in more detail later, but given that one of your jobs as civil servants is to prepare an Opposition for government, would you be sharing internal SDPs with a shadow team at that point, before an expected election? You make a good point about manifestos, which can be a very long wish list with lots of money but without clear outcomes necessarily attached, because it is hard for an Opposition to do that.

John Manzoni: That is a very good question, actually. Not being as seasoned as—

Chair: Mr Manzoni is worried that he will upset the mandarins. Mr Bowler?

James Bowler: I fear I might be more seasoned. When the purdah rules apply, the Cabinet Secretary says, with the Prime Minister's agreement, that Opposition discussion should—

Chair: Yes, we know how that bit goes. I am just asking particularly about—

James Bowler: The answer to the question is that the Opposition ask you about delivering their programme, and you tell them about its deliverability. I am not sure, to the extent to which it is someone else's programme, whether—

Chair: Okay. There is a point there that we will come on to when we discuss SDPs, but let me bring in Ms Flint.

Q25 **Caroline Flint:** I want to take a few moments to focus on what we define as public value. How does each of you define public value? We have had the Barber review, but where are we on that? I know that my colleague Layla Moran wants to come in with a few supplementaries.

James Bowler: I very much like the public value framework that Michael Barber set out and his report. It is sometimes critical about the history of performance and efficiency management in the Government, which I would accept. The definition has four pillars: how you set your goals, how you set your inputs, how you engage with users and taxpayers—an interesting pillar that I think is under-utilised—and whether you have the systems and capability to deliver. I like that definition.

John Manzoni: This is why Barber sort of works, but you could put any framework around it. It is basically: "What are you are getting for what you put in? Is it good value? What are the outcomes for the inputs that you put in?" If you think about it, that is what these SDPs are trying to bring together as well. I think Michael Barber's new framework and the four pillars are a perfectly sensible framework that we should be leveraging and using. If we could align it along the objectives in those SDPs, it would be a very powerful tool, so I think that is the next stage.

Q26 **Caroline Flint:** I understand that it is at a pilot stage at the moment. When is it going to become mainstream?

James Bowler: We will pull all this together with SDP and spending review guidance for the coming year. We are learning quite a bit from the pilots, and it will go forward essentially in two formats. One is whether Departments are able to operate under that framework and those four pillars and whether they have the capability to do so. That is a test of the framework itself: can they think like that, and can they think about moving inputs to outcomes? The second is as a delivery tool, where you pick a more specific area and really drill down into whether that is happening in that area. That is what we are piloting at the moment, and learning from.

Q27 **Layla Moran:** To carry on from Ms Flint, if you cannot measure something, it is quite difficult to put a value on it. I want to ask specifically about other measures than just the economic value of a project. In particular, how would you measure the environmental impact of projects that the Treasury delivers? How do you currently do that?

James Bowler: The Green Book sets out how you do that. It sets out how you can cost environmental costs and benefits, and how you should do that as part of a cost benefit.

Q28 **Layla Moran:** How long has that been in place?

James Bowler: It has been in place for a long time. The Green Book is an assessment for the public sector about how you go about assessing policies and particularly projects, and how you come to an assessment of benefits versus costs. There is a section on environmental costs. It is a section that has been around, I think, off the top of my head, from 2004, but we updated it—and it is improved—earlier this year.

Q29 **Layla Moran:** I see. I am looking at an Environmental Audit Committee Report from November 2016, where they were not that complimentary about the way that the Treasury takes this in terms of seriousness. A local example is that the Oxford to Cambridge expressway is going through my patch. I went through the plans for it with the Highways Agency and the environmental impact of the road doesn't play anywhere near as much as my constituents would hope. Do you feel that the improvements that the Treasury has made to the guidance are enough?

James Bowler: I am not an expert on the scheme, but you absolutely should be costing congestion, but on the other hand environmental damage, noise, all the rest of it, as part of a proper cost-benefit analysis, and it simply is not the case—though people think it is—that the Treasury guidance says, "Just do how much you pay and what the benefits are back, and then pick the cheapest option." There is a much more sophisticated policy and project costing set of issues in that Green Book. It is recognised generally and used quite widely around the world as a good way of looking at how you do projects. That said, particularly on the environmental side—green accounting and other things—people have pushed for it to go further, so I am not saying that it has satisfied everyone.

Q30 **Layla Moran:** What are your plans to improve it then?

James Bowler: It has literally just been updated this year and I would defend that as the right way to go about it. In its application it is not often entirely straightforward, so you would need to build the capability and skills, and the Treasury needs to help Departments who are doing that, in how they go about applying it because, particularly in the kind of example you have given, that is a complicated business case that you would be putting forward.

Q31 **Layla Moran:** That is good to know. Thank you very much. Just to widen that slightly, examples like Australia and Bhutan have other measures that they use to measure value for money. Australia looks at sustainability and social capital, for example, and we are well aware of Bhutan's gross national happiness. This was in vogue in previous Governments. Have the Treasury dropped that as an idea?

Chair: Happiness being dropped in the Treasury!

Layla Moran: Has happiness been dropped in the Treasury?

James Bowler: The Treasury is very engaged, our staff survey tells us.

Layla Moran: Is this something you are looking at as a way—

James Bowler: I am trying to recall what Gus O'Donnell was doing in terms of other measures, with the ONS, on happiness, other than "Is GDP and GDP per capita the right measure of successful growth?" I think the ONS were piloting wider schemes, but I would not want to start waxing lyrical on that because I don't know an awful lot about it.

Q32 **Layla Moran:** Okay, so the ONS are doing it but the Treasury is not?

James Bowler: Well, the thing I would repeat about the Treasury is that people often think that we insist on a race to the bottom—that the cheapest project must be the one that you choose. Our Green Book and the way you work out a business case does not say that. It says you must include a whole set of tests and structures as you choose the way forward. My colleague talked about there now being financial tests on things, and also a whole set of making sure you are maximising the benefits, not just reducing the costs. It is the cost-benefit side of things. In that benefit side the benefits of something are wider and more defined than you think, although I am not an expert on the way Australia does it.

Q33 **Layla Moran:** That is interesting. There is a project now to build 4,400 homes in the green belt to the north of my constituency. While you can see the short-term value-for-money case and it is enshrined in the local plan and so forth, the issue for the community and my residents is that no measure of their happiness and the long-term viability of their community is allowed in those local plans. Is it not for the Treasury to measure that in terms of public value for money?

James Bowler: Yes, though I would say it is not the case that the decision on whether to build 4,000 homes in the green belt is taken from a Treasury cost-benefit analysis. In that case, the regulation that is the planning system will be the main driver as to whether that is the case. I am not an expert on the planning system but that does, of course, completely and utterly take into account local and national views, consultation and all the rest of it. That would trump the Treasury's strict economic case.

Q34 **Layla Moran:** But at the moment it does not seem to be filtering at all to that level of decision making. I have one last question. You have the guidance, you have got the Green Book, which has just been updated. That is great to know and I will rush off and look at it this afternoon. How can you be sure that all the guidance and good stuff in the Green Book is filtering down to these multimillion pound investments that have been made?

James Bowler: They certainly are. The answer is that, as we do multimillion pound things, we absolutely have to get them right. Particularly in any controversial project, they will be subject to judicial review if we have not followed the processes entirely as we have said they would do. Obviously, I am making the link between the economic business case, which is probably going to impact more the procedures about how you grant planning permission. The Treasury has views but CLG and local authorities have the ownership of that.

Chair: I should warn witnesses and members that we are expecting votes shortly. The Minister has stood up and she is obviously quite loquacious this afternoon. We are expecting votes, so I have to warn you that we might have to break for that. I am sure Anne-Marie Morris can pick up where she leaves off. *[Interruption.]* Sorry, Caroline Flint.

Q35 **Caroline Flint:** I have not quite finished. You might have to come back after the break, Anne-Marie. Sorry about that. On prioritising, there are two particular points addressed by the NAO Report. There is an over-optimistic approach to planning for delivery or savings. In paragraph 4.17, page 63, it reports that in 2018 Departments "set out 9% more objectives and sub-objectives in 2018 (389) than in 2017 (358), but do not set out how they are prioritising between the competing demands on their resources, or what has been stopped". What are you both doing to incentivise Departments to prioritise and say no? You would agree that, in this complex area, if you just keep adding things in and you are over-optimistic, you are never going to get to your dream goal of cost-effectiveness and value for money.

Chair: Will you be quick, please, as the vote is imminent.

James Bowler: Very quickly: it is a real issue and false economies are a big issue. It is the case that in the last spending review people promised efficiencies to pay for things that did not come to pass. That meant that prioritisation that should have happened did not happen. We are going to do two things in the coming spending review. We are going to have a big push on the reality of deliverability, the actual costs and time it is going to take on particular big projects—the IPA are going to lead.

We are also trying to prioritise under a zero-based capital review that says you have to make the case for your projects, even if they are ongoing projects, from scratch, based on how good they are, so that we can prioritise the best projects. It is a big issue for officials to try to get Ministers to prioritise successfully.

Q36 **Caroline Flint:** Can you stop Departments rebadging schemes? In my 22 years as a Member of Parliament, we have had various schemes in Doncaster addressed to deal with problems for vulnerable families and troubled families—family intervention programmes. Essentially that is all dealing with the same issue but, every few years, Governments and Ministers rebadge them, and it is almost like we are starting from ground zero again. Can you help stop that, so that we have that sense of both the short-term and long-term planning to deal with an issue which is, to be honest, as old as time?

John Manzoni: The answer is that we have to work very hard to try to stop it. As James says, this problem does not start in the civil service; it starts in the political layer, because it is important to make announcements and to have initiatives and to do all those things. We are putting in place the infrastructure—I happen to believe this is going to be absolutely critical this time around—to at least present a set of choices that can be made.

If you start with a disconnect between what is promised and the inputs, of course you do not have any chance. If you bring those two things together, you can begin to see where the pressure points are. It is true that in the last spending round many of the benefits that were promised evaporated because they were not real in the first place. Job one is to test the deliverability of what people are promising at the point of the promise.

We have got much better at that because we now have expertise—delivery expertise, commercial expertise and technical expertise—that gives us a much better view of how long a particular initiative is going to take and how many resources it will need. We are living this with Brexit—we are living this now. We have deployed those skills through those particular axes. We can get a much better view of how long this will take.

Every transformation project or infrastructure project moves to the right. The benefits are not as big as you think, the costs are more than you think and the thing moves to the right. That is natural. That is called experience. The question is whether we can make better judgments. As James has said, we are putting in place a structure where we can formalise judgments so a better judgment can be made about whether the portfolio of activity at departmental level is deliverable. There will be difficult choices for Ministers, because that will mean we cannot do everything that is on the docket.

Q37 **Caroline Flint:** Where does challenging silo working fit into all this? Again, in the NAO survey of officials involved in business planning and spending, only 33% agreed that HM Treasury spending teams provided mechanisms to support and encourage Departments to work together. There must be waste. There must be duplication.

John Manzoni: Well, there is more than you think—it is quite interesting.

Q38 **Caroline Flint:** What would you like that figure to be at the end of the next spending review?

John Manzoni: We are doing a lot, actually. I will start at one end. Look at estates. We have an estates strategy across Government that is bringing Departments together in locations. We are talking about automation across our workforce.

Q39 **Chair:** Sorry, you say that, but Mr Schofield at the DWP was pretty clear that he did not want to get involved in the Government hub system.

John Manzoni: In one of your recent—

Q40 **Chair:** Yes?

John Manzoni: Well, I'll have to go and talk to him, because of course—

Q41 **Chair:** He dropped it in there. He said it here and you didn't notice.

John Manzoni: The first phase of hubs has been largely HMRC, actually, but we have one in Canary Wharf that has eight Departments in it. We have one just down the road with up to five or six Departments in it. It is coming. It is not going to happen overnight, but it is coming. The estates strategy is now for the system, which is across Government. Ditto on workforce. We are talking about the deployment of robotic process automation so that we can put in place these workforces across the system. We have cyber-strategies, which will be looked at across the system. Again—I am sorry to say—we have the infrastructure for this spending round to put in place these cross-cutting things.

Q42 **Caroline Flint:** When you get the spending plans up to your teams, Mr Bowler, and they can see duplication happening across Departments, or certain bids coming up that smack of the same issue, do you have the skillset in HM Treasury to say, "Right, sorry, these are basically trying to do the same thing. You guys have to work together"? Do you have the authority and clout to make that happen?

James Bowler: Yes, we do. We have given ourselves the capacity and we have been working for the last three years on something we call costings projects, which look explicitly at where costs fall across the system and give us the evidence to do precisely what you say. Data and facts are a powerful precursor to all this, and then we have three things at our disposal. We have joint funding, which we do more and more. The biggest one we do is the national productivity infrastructure fund, which is £30 billion on infrastructure, regardless of the Department, and sits above all the Departments. Similarly, there is a joint security fund that sits above the MOD and all the various security apparatus. We have joint targets and ways that you can push Departments all to deliver within a set objective. I give the example of rough sleeping, which the Prime Minister has been pushing recently. There is a whole set of committee structures whereby you ask Ministers to drive things across Departments. The Prime Minister leads an implementation taskforce. There is a whole set of official things. On something like housing, the need to build many more houses has required pushing in lots of Departments, especially on public land and transport, to make that happen. Those are the kinds of levers we are using.

Chair: I am going to have to cut you off there, because we have to go and vote. I suggest we get back in 10 minutes if we have one vote. If we have more—

Anne Marie Morris: There will be two.

Chair: Government Members know more than I do. In that case, let's try to make it back in 20 minutes.

Sitting suspended for Divisions in the House.

On resuming—

Q43 **Chair:** Welcome back to the adjourned Public Accounts Committee on Wednesday 12 December 2018. We had just heard Mr Bowler in full flow. Was there anything that you were going to add? I think I cut you off at the end of what you were saying.

James Bowler: No. I can't remember what I was saying.

Q44 **Chair:** There is a line of so many people behind you. They have been saying, "He's been talking too much," obviously, with the benefit of the gap.

Before we move on to Anne Marie-Morris, we have some good evidence from the Local Government Association about their concerns. They rightly highlight—I think you both acknowledged this, John Manzoni particularly—

that the 2019 spending review is an important test for effective cross-Whitehall work. Of course, a lot of the issues that they are dealing with are funded by different strands from different Government Departments, but which interact. Can you give them any reassurance, Mr Bowler, that you have this in mind as you look at all Government Departments' spending plans? While I know MHCLG has a role, you have a role to make sure that there is that co-ordination and that you are seeing good value for money and good public value in that spending.

James Bowler: There are probably two things to say. Cross-cutting working will be a key focus in the coming spending review, and that is building on some quite advanced cross-cutting working that we currently have. That would be point one. Point two would of course be that the devolution agenda—local and regional; not Scotland, Wales and Northern Ireland—is much advanced. So the situation we have today is that there is much more choice at the devolved level than there used to be. There are much less central Government diktats and targets for the local level. That is at a local authority level, but also at a city and mayoral level.

Q45 **Chair:** We know that. The point is that a lot of the wicked issues are not ones that are easily decided by one Department—when money to a degree goes down the siloes into local government. If there were more money flowing around, local government can be very imaginative and could come up with some of the solutions to some of the wicked issues that, for instance, Caroline Flint was raising around troubled families or whatever the latest phrase for that is. Without that, you can see that a council could, for example, spend less money on road maintenance, but that could cause an impact on other services. There are knock-on costs and cost shunting. That can happen if local government cannot join up, and it cannot join up unless there is joining up at the centre. You cannot get down to that level, to drill down, but are you looking at it at the departmental level?

James Bowler: Yes, we are. In particular on cost shunting, which we recognise is an issue and comes out of the Barber work, I would point to two things. First, the evidence that we are trying to pull together through these costings projects is of exactly where the costs lie and how one silo can cause costs for another silo and vice versa. We are trying to use the SDPs to be clear about that. Then there are some structures that we can, and will want to, continue and expand to make sure that we avoid that.

The big issue most often cited at the local government level is the link between the NHS and the social care system. The mechanism that we have put in place to attempt to help address that—although it remains an issue—is the Better Care Fund, which is now I think a £7 billion fund where the NHS and local authorities together try to work through where the best value for money can lie in the care system. In particular, this is looking at making sure which people should not be in expensive and acute treatment in the NHS—that those beds are freed up, if you like—and that there is the capacity in the local area to take them on. In our system, that is one of the biggest silos—those two things—and that is of acute interest to us.

Q46 **Caroline Flint:** I understand what you are saying, but the problem is often when there are injections of money. While there have been some improvements in some of the forward planning for local councils, you often then find—like in the autumn statement—that the Chancellor suddenly injects more money and expects, quite frankly, miracles to happen overnight. Local government is no different from any Government Department: to embed things, to create the workforce or to change things takes time. We see rising numbers of children needing urgent protection—that has a knock-on effect for the children and families who are not in that situation but are in danger of slipping into it. We know that adult social care is nowhere near where it needs to be. How do you ensure, whether in local government or in the NHS, that the money going in does not just paper over the cracks without leading to the transformations that we need for the long term?

James Bowler: There are quite a few issues there. First, the Better Care Plan we talked about has been going since 2015 and is now, I think, an embedded and long-term part of the system.

Chair: It is an embedded and long-term part of the system, you said—okay.

James Bowler: There we are. Secondly—it is in this Report—we are actually quite good at sticking to our spending plans. I know people focus on the additions that come and go, but page 47 of the Report reminds us that the UK is the best in Europe at sticking to its spending plans. The concept of lots and lots of short-term injections of spending and change is less prevalent here than it is internationally. I think you raise an important point about not papering over the cracks in the NHS and how you can deliver this enormous system—

Q47 **Caroline Flint:** I get the problem about keeping to the spending forecast and I don't really want to open that up, because I think my colleague Anne Marie Morris wants to come in on it. We are good at cost-cutting and keeping to the spending plans. The problem is about the outcome of the spending and whether it is short-termism: too much short-termism, too much over-optimistic forecasting about what you will get for the money that is being put in and whether that matches up.

James Bowler: As per the previous conversation, we very much recognise that danger and are pushing to try and get over-optimism out of it. With the NHS, which I think is £130 billion per year, it is extremely important to try and get this right, and try and move from very short-termism to long-term planning.

From a Treasury point of view, we have five tests that we want front and centre in the NHS 10-year plan, which is due. They are precisely about having the basics right and having a sustainable system. The tests are to do with a financial balance to reduce variations in performance; to deliver the productivity that you need to improve, in particular with a view to some of the social care pressures; and to understand demand and understand where there is a pressure in the acute sector, which then moves into the social care sector and vice versa.

There are some short versus long-term issues on capital in the NHS, and maintenance and cost shunting between capital and resource. I can assure you that every single conversation we have with both the Department of Health and Social Care and with the NHS, of which there are many, is pushing very hard to get the basics in place to deliver that kind of long-term planning, precisely to allow the system to manage itself and look to the future, rather than to think on an annual basis.

Q48 **Caroline Flint:** Is the Treasury open to the suggestion from the Local Government Association that, to avoid cliff edges, it might be helpful to have spending review periods that overlap? That would mean that in the last year of a spending review there is an overlap with the new one coming in to avoid the cliff edges that almost stop work actually happening. The last year of the previous spending review would then be the first year of the next one.

James Bowler: Well, it is not far off that already. We'll have a spending review next year. Everyone has budgets to April 2020. Quite a few Departments have got budgets thereafter. The NHS now has a budget for the next five years, so I don't think there is that huge cliff edge, but I am very open to thinking about it. If I gave them an extra year back I would have had to have done the spending review last year, which I would have struggled to do.

Q49 **Chair:** How do your spending teams assess what is going on in local government? We all see it in our surgeries. How do your spending teams understand? How do you get them to understand the actual frontline impact of the decisions that are being made and the bids that are coming in from the Departments such as the Ministry of Housing, Communities and Local Government, which is not directly responsible for the spending but is passing it down?

James Bowler: In the ways you would expect. We have a very good, strong relationship with Departments and in particular with the Ministry of Housing, Communities and Local Government. We would be talking very often to the permanent secretary and others further down in MHCLG. We have a good relationship with the LGA and would be talking to them relatively regularly. We go out and about and do all sorts of visits. Then we have the performance data, which we want more of, feeding back into us. We are very aware of performance data on social care, crime and some of the cross-cutting issues that you have been talking about, and we get that in relatively real time. The discussions we have with Departments are relatively sophisticated on that front.

Chair: I think we will come back to that in a moment. We are not expecting votes again imminently, but there will be another one later.

Q50 **Anne Marie Morris:** Mr Manzoni, perhaps we can turn to the Cabinet Office role and these plans. Meg wrote and asked whether we could have the full plans for a couple of the Departments, and you came back with a response that you didn't think it was appropriate for them to be in the public domain. Could you just explain to us what the sensitivities are, and why that decision?

John Manzoni: As you know, that has been a long-held view, and that is why we have been working to put some version of these plans into the public domain. There are public versions—they are not as good as they should be, but they are getting better each time, and we will continue to make them better. I believe that if you do all your planning and discussions in public, it becomes a less fruitful exercise. It is not as though they are full of state secrets or anything, but some of them might be quite sensitive—they might project workforce losses, or quantification of things that perhaps we do not want in the public domain at that time because they will have an impact. That might be the case, but it also just changes the dynamic of a conversation if you have to do it in public.

Q51 **Anne Marie Morris:** But at the end of the day it is the public's money you are spending, and what you are doing is in accordance with manifesto promises that people voted for.

John Manzoni: One of the plans you asked for was the Department of Health and Social Care plan. It is very thick, and it is not obvious to me what you would do when you got it.

Q52 **Anne Marie Morris:** I would read it—I would be absolutely fascinated by it, I am sure.

John Manzoni: I am sure. And then we would put them all "like this". I don't want to be silly about this. I don't think that what we put in the public domain the first couple of times was great—I think it was a lot better last year, as I think the NAO has acknowledged. I think we can convey the essence of these plans by articulating the key objectives—certainly we have to get better at putting key performance indicators in the plans, which is something we should be doing this year, and we must get better at articulating the risks. We will get to a version of these plans that we are happy to be in the public domain. First of all, that is more digestible for the public.

Q53 **Anne Marie Morris:** I take your point. Would you be prepared to release the plans asked for by this Committee in private, so that we can have a look?

John Manzoni: We have had these conversations.

Chair: We don't leak.

John Manzoni: Well, it is a sort of fraught issue just at the moment, isn't it? It was quite a battle, to be fair. It was quite complicated—

Chair: Let me just be clear. It was a Humble Address of this House, and the Government had to reveal it. We had the courtesy to have a conversation with the Cabinet Office Minister, because we are not reckless. We are a responsible Committee. I promised that it would not leak, it didn't, and we read it all.

John Manzoni: I am quite happy to have that conversation under the same conditions. It is easy to look at this and say, "There is nothing sensitive here".

Q54 **Chair:** Let me be clear: Ms Morris is asking for the plans to be released to us, and if they were released to us we could agree that we would not release them in the public domain at that point. If we could see a couple of them, we could perhaps have a further discussion about future ones, but if you could commit to that—

John Manzoni: I will need to go and take some advice, but in principle, and provided there is no implication that this is just the thin end of a wedge where things get made public, it is a reasonable conversation.

Q55 **Chair:** The civil service is always worried about the thin end of a wedge, but of all witnesses, Mr Manzoni and Mr Bowler, you two share our agenda. We want to hold Departments to account on their spending, value for money, and delivery for their citizens. If we could see these plans, we could help hold them to account even more effectively.

James Bowler: I am not going to add to that. The one thing I would say is that we in the centre of Whitehall do this by consensus rather than edict, and we are trying very hard to make the SDPs better and better and better, and more central to the reality of what Permanent Secretaries and their boards look at for their business monitoring and all the rest of it.

Q56 **Chair:** Maybe we will start engaging with the Permanent Secretaries as well.

James Bowler: My only thought would be that we do not take a step backward in doing that.

Q57 **Chair:** The NAO get to see them, so I will bring in the Comptroller and Auditor General.

Sir Amyas Morse: I just wanted to say, in support of what you were saying, Mr Bowler, that I think it would be really appropriate for Departments to use these single departmental plans to run the Department. Otherwise it seems a bit of a farce to prepare them. Wouldn't you agree?

James Bowler: Your Report, I think, says that more and more and more and more of that is happening, and I am hoping that they will be public to the PAC or—

Chair: I think there are too many mores there, from our reading of the Report.

Sir Amyas Morse: It should be normal practice, not "more and more".

James Bowler: But it is 80%, isn't it?

John Manzoni: It is 63%.

Sir Amyas Morse: It should be expected all the time.

James Bowler: I completely agree with you.

Q58 **Chair:** We will perhaps take this conversation more offline, but we love SDPs.

John Manzoni: We are very happy to have that conversation with you—as long as you promise not to embarrass the Permanent Secretary.

Chair: We are probably the only Committee in the system that really knows what they are, but they are absolutely vital and we are on a mission not just to scrutinise Government, but to improve this House's ability to scrutinise the finances of a Department.

Q59 **Anne Marie Morris:** If it is any comfort, although we have not seen them, the NAO has said very favourable things about how they have improved, but I cannot judge that based on nothing. Let me ask you this: with regard to what you want to make available to the public, what are you trying to achieve? I will be honest: I took three of them off the internet and I did not find them very helpful. They set out some fairly broad objectives and there were some statistics about where we are now and some aspirations, but nothing about how they would be delivered and certainly nothing about how they would be measured. As a taxpayer, never mind as a member of this Committee, I was left with a sense of, "So what's this all about?"

John Manzoni: It is one of the dilemmas, isn't it? What you should have got from them, for each Department, is, "Here are the high-level objectives we are trying to achieve, and here is how we are thinking." You should have got that. From there you should have got, "And by the way, underneath this high-level objective, here are a range of sub-objectives that we are going to try to deliver." That would be a representation of the general outcomes.

Q60 **Anne Marie Morris:** Yes, but they were very general. It is kind of, "Let's implement X policy or Y policy,"—by doing what? Even at the sub-level, it was very high-level.

Chair: Do you want to name and shame a Department, Ms Morris? I am sure that will give some strength to Mr Manzoni's elbow.

Anne Marie Morris: I looked at the Department of Health and Social Care, which had six key objectives. Then, trying to embellish on "Improving people's health and reducing inequalities", we have "Deliver the commitments in the cross-government Childhood Obesity Plan". There is nothing about how you are going to do that. How are you going to reduce child obesity? The same applies when you go through the six. We get into the figures, which are fascinating, with the prevalence of childhood obesity. Yes, that is good baseline information, but there is very little about how. It is just motherhood and apple pie—and actually the health one was better than some of the others. I looked at the Ministry of Housing, Communities and Local Government one and, frankly, that was the direst of the lot. Let me ask the question again: what are you trying to achieve? It is far from clear. I do not feel informed. I do not feel any comfort that this is going to deliver anything that was in anybody's manifesto.

John Manzoni: You have articulated the dilemma. Let's take the Department of Health and Social Care one that you gave as an example, on delivering the childhood obesity plan. There will be a childhood obesity plan. I don't know whether it is public or not, but there will be one, and in the childhood obesity plan it will have all the detail that you have articulated. You also mentioned a KPI there, which is the incidence of childhood obesity.

Q61 **Anne Marie Morris:** All right, but that is where we are now, not where we want to get to. You need where we are now, where we want to get to and how we are going to get there. You need something clear; otherwise, we cannot measure whether we have achieved it.

John Manzoni: Presumably it will be in the childhood obesity plan. I don't know whether that is a public document or not.

Q62 **Anne Marie Morris:** But the plan is so disconnected from the manifesto and the individual projects. I appreciate that the Government come out with their Green Papers, White Papers and so on quite slowly, because you cannot do it all at once, but none the less, surely there should be a central plan where you actually have some clue as to how you will deliver your obesity plan, your mental health plan and so on, so that at the start you have a baseline against which to budget? If you do not, how on earth is the Treasury supposed to work out how much money you need if they do not know what is in the obesity plan? There must be something.

John Manzoni: That is the whole point. I don't know whether it is divided into the sub-objective, but the internal plan for the Department of Health and Social Care will have the resources available to deliver the outputs of the macro objective that you have articulated. I happen to have read it and it does have some numbers in it. There is a directorate in which delivery of the childhood obesity plan is sitting, and there is a set of resources, a set of officials, a set of money and all of the things that go with that set of things.

Q63 **Anne Marie Morris:** But is it clear what they are going to deliver? Does it say what the childhood obesity numbers are going to be?

John Manzoni: I don't know; I haven't checked. But in general they are, because in general there will be a set of milestones and that is the whole point of the plan: it has to deliver a set of outcomes.

Q64 **Anne Marie Morris:** Yes, but it's not in here.

John Manzoni: I accept that, in that case, by the sound of it, the projection for childhood obesity has not been articulated. I accept that. It would be better if it were.

Anne Marie Morris: Correct.

John Manzoni: Getting to those key performance indicators, we should be striving to say, "No, this is how we are trying to track these things." I do not have all the SDPs in my head, to be perfectly frank. It ought to be that, yes, we should not just be taking a snapshot. I would anticipate that, in the example you have given, either the childhood obesity plan is public or they have it and it has a projection in it; otherwise I agree with you completely—it is not a plan.

Q65 **Anne Marie Morris:** But as a taxpayer I have no idea about all that. As a member of PAC, I have no way of measuring whether you are going to deliver it, because I can't see the plan so I can't see whether we are getting value for money for the taxpayer.

John Manzoni: I agree, but the Department of Health and Social Care is a particularly difficult one, isn't it? Of course, it is doing it all through arm's length bodies and third parties. As we know, £130 billion a year goes into the national health system and then the question is: how do we turn the long-term plan or the five year forward view into a set of deliverable plans? In my view that is a work in progress. The Treasury have insisted on a detailed plan, and they are absolutely right. That plan is under way and the Department of Health and Social Care will produce it. It will, presumably, be different from what was in the previous SDP, because £83 billion of new money has gone into the national health system.

Q66 **Anne Marie Morris:** But if I might say, Mr Manzoni, I am not even sure that this is a benefit being described as a plan. It needs to be objective, the objectives need to be matched to resources and there needs to be a timescale, but there is none of that, even in outline. I have no idea what is in the real ones.

John Manzoni: They vary. As I have said before, in general they do project. They certainly project finances and workforce. In a variable way they project the outcomes.

Q67 **Anne Marie Morris:** The "in most cases" and "in varying ways" worries me, because ultimately we have to look at Government spending in the round, particularly as some Departments, particularly Health and Local Government, have to work hand in hand. If they are not measuring on the same basis and providing information on the same basis, how on earth is the Chancellor of the Exchequer, with the help of Mr Bowler, ever going to work out how we are going to be spending our money? If your measures are different and they have different timescales, you are going to be all over the place. If you want health and social care to be integrated, which is the Government's stated objective, the Local Government plan and the Health plan absolutely need to dovetail and each Department needs to understand the other's plan. If they are all run on a different basis, I don't quite see how—

John Manzoni: In the national health system they come together, as you know, in something called the STP, which is an invention of the national health system. They are being worked. They bring together a health economy and at a local level they do exactly what—

Q68 **Anne Marie Morris:** Can I stop you there, Mr Manzoni? That is a lovely answer, but it is obfuscating. This is about the national level. The STPs, as you rightly say, are done on a regional level. I have one in Devon. They are bringing together health and social care, but they are very regional and very different across the country. You will know as well as I do that what is in each of them is very different in terms of their level of ambition. You will also be aware that very few share budgets or look at shared reporting lines. We are in a position where health and social care supposedly are integrated under STPs, but the reality is that the individual silos are still reporting along their silos and are still budgeting and spending in accordance with their silos. The Government are asking them to work as a matter of trust, but you can't run a Government on that basis—not when you have a country the size of the United Kingdom and are spending the billions that we are. I don't think that is the answer, so my question to you, given that you accept—thank you—that there are challenges, is how you propose to address them and with what objective in mind, in terms of timeframe and what you want to achieve.

John Manzoni: I am not going to sit here and pretend it's all brilliant. I have told you many, many times—

Anne Marie Morris: I agree, but—

John Manzoni: This is about—

Anne Marie Morris: What I want to know is what you are going to do about it.

John Manzoni: Well, if you let me finish, I'll tell you what I'm going to do. I am building the capacity and capability of this system so that it can financially plan and link those financial plans with objectives. I can't wish it were the case—it isn't.

Your plan in Devon—with the greatest respect, I don't know how good it is. It's probably—but the national health system is an industrial system; it employs 5.5 million people. I can't possibly sit here in the middle and say, "Do you know what? I think we'll have a plan that works for £130 billion overnight." I think, actually, the national health system is building it in the right way. I believe the STPs are exactly the right thing to do, because we are bringing together, in a health economy, the inputs and the outputs. We are exactly joining up the join between primary health, the acute system and the social care system. I believe that is going to take time and therefore we should be—

Q69 **Anne Marie Morris:** We are not here today to discuss the STPs. You brought them into the conversation, but let's leave it there, because otherwise—

John Manzoni: No, but they are the join-up that you were articulating.

Anne Marie Morris: Well, let's agree to disagree, because I have views about how well those are written, and that's not for today.

Chair: Let's not go down that route today.

Q70 **Anne Marie Morris:** Exactly. For me, there is still an issue about this high-level plan. It surely has to have some relationship and some guidance to those trying to do the SDPs at local level. I think you did agree that they were not where they should be, so my question to you was: what is your timeframe for doing something about that?

John Manzoni: We are doing it all the time; I am doing it consistently. We have had three goes at the SDPs, and they have been progressively getting better and better.

Q71 **Anne Marie Morris:** So, by when might I have something, even if it's the public one, which presumably will reflect the more detailed one, that is in a shape where actually it's clear to me what your objectives are?

John Manzoni: I think the objectives are very clear in the SDP—

Q72 **Anne Marie Morris:** The high-level objectives—

John Manzoni: Of course—

Anne Marie Morris: Let me finish. Objectives, sub-objectives how you are going to achieve the change, what the start point is, which is in here, what the end point is and what resource has been put to it—clearly, after that, it will be down to the different lower pieces to allocate, but—

John Manzoni: What you have articulated is a business plan.

Chair: Which is what the SDP—

John Manzoni: Which is the SDP. What we are aiming at is a business plan. We can't wish it—

Q73 **Anne Marie Morris:** And my question is how long—

John Manzoni: If you want my honest opinion, I think it will continue to improve. I think this year will be better. I think we will get better at the KPIs and the projection of the KPIs. Let's use your example—childhood obesity. You have today's; at least we understand what it is today. We need to be aspiring to say, "What's it going to be?" and I think we will be pushing on that projection this year; I have mentioned that the KPIs will be an area of focus this year.

Q74 **Anne Marie Morris:** As the expert and the person helping Departments to produce these plans, what training and guidance are you giving them to enable them to actually do what you want and we want, which is to make them better?

John Manzoni: We have put together a peer group. There is a maturity model that has been built among the finance leaders. It is quite a detailed model about what it takes to deliver a plan that you have articulated. The Departments are right now self-assessing where they sit on that maturity model, and we will be using that model to say, "Okay, we've got to go and build this capability and that capability." This is not a theoretical exercise. It comes with experience; it comes with capabilities. You have to put people in place to do it. You have to teach people how to do it. And as you know, those things take time. So that is what we are doing. We are using the maturity model, in the first instance, to coach, peer-review, peer-assist, share—all those things. That's what is happening.

Q75 **Anne Marie Morris:** Is there any hands-on training?

John Manzoni: Through the finance group—there's lots of professional training going on. We have groups of planners. We have groups of the finance leaders. There is training going on on workforce—human resource training. We do not have a system in Government today whereby the data sources for all the workforce are consistent and co-ordinated, so we are putting that in place. That takes time as well. So there are many, many different areas of training, which all together will bring that capability together. It doesn't sit in one person.

Q76 **Anne Marie Morris:** But surely there must be somebody at the top of the Department who has to put the business plan together and who needs some training in what a business plan looks like, Mr Manzoni.

Chair: Presumably that is the permanent secretary.

John Manzoni: Ultimately it comes together in the permanent secretary but, in the end, the business plan in any business is a combination of the finance director, the human resources director, the operational directors bringing together a plan that is deliverable, financeable and resourced appropriately towards a set of objectives. That is how we will do it.

Anne Marie Morris: Okay. I look forward to seeing the next iteration, which I hope will be considerably better. I hope that you will take away this transparency issue, because it is the public's money. We need to think long and hard about what information we should, therefore, make available to the public about how we are spending their money.

Q77 **Chair:** Before Ms Morris moves on, when this Committee visited Washington, it was interesting to see that what I think is their equivalent of Mr Chote's operation has a map where you can click down to a street. You can see what is spent in a school or street in Don Valley, in Hackney South and Shoreditch or in Devon, directly linked to a Government policy. Is that something that you would aspire to, Mr Manzoni?

John Manzoni: I have been to Washington, but I haven't looked at that particular thing.

James Bowler: I would point out that they would not be able to do that for next year or the year after or the year after.

Q78 **Chair:** I recognise that, and they acknowledged that it was not 100% perfect. It was a while ago; it may have got better since I was there to see it. Certainly the transparency point is well—

John Manzoni: It is certainly true that management information across Government, as we know, needs to be improved.

Q79 **Caroline Flint:** But don't you think it is important that in the STPs you should be able to see what the problem is and what the objectives are? To take childhood obesity as an example, as a former Public Health Minister, I was involved in a foresight project looking at the next 50 years on how that challenge was going to develop. You want to see what the objectives are but also, alongside that, some idea about the finances and the workforce that will deliver those objectives.

On that level, it does not tell the whole story. There will always be behind the plans more detailed plans to tackle childhood obesity or cancer diagnosis, which is another area, but at least you would have some sense that lateral thinking is going on all the time to understand the objectives and the finance and the workforce that are needed to achieve them. Do you feel that is really happening on the STPs, or is there not enough consistency to ensure that those trains of thought are all operating and multi-tasking—happening at the same time?

John Manzoni: We start from a base. A particular example in the national health system is very difficult, because we are looking at a Department of Health and Social Care SDP here. To get the resources associated with childhood obesity, you have to reach into all the various different arm's length bodies.

Q80 **Caroline Flint:** I would like to know, for example, what the Department of Health and Social Care is doing in that area. I used to have a team of people working on public health and I could tell you whether it was obesity, sexual health, alcohol—the full range. Health inequalities was another example.

John Manzoni: They do have that.

Q81 **Caroline Flint:** I could tell you what we had within the Department, what resources we had that we could control centrally, what we sent out to local government, what we sent out to primary care trusts, strategic health authorities and so on. I could also pretty much tell you what sort of resource we had within the Department to deliver those plans and work with other agents to deliver those plans. That was then.

Chair: It should be better now.

Caroline Flint: And PSAs help with that, to be honest.

John Manzoni: If you look at the internal versions, there is a level of more detail and it does give you the resources. That's in the good ones; some of them don't, but most of them do now give you the resources associated with the particular objectives. That is not necessarily down to all the sub-objectives, though in some cases they do. I can't remember whether it does in health but certainly, for the macro objective in there, it would be clear what resources the Department of Health and Social Care has allocated to that set of objectives. Those bodies get big money.

James Bowler: If it helps to agree that we are all trying to deliver the same thing here, we would like to have a better, more public performance regime. We would like to do that as part of the SDP process and going into the spending review. I have talked about a focus on inputs and we have talked about the SDP process and the Barber process. Those are all very much focusing on trying to move from those inputs towards those outcomes and objectives. That is a clear objective for us. In terms of the UK system—and I have said what is good about the UK system—I think we could do better in that area.

Q82 **Anne Marie Morris:** Mr Bowler, how many bids for money do you get from Departments together, as joint bids?

James Bowler: I see what you mean; I don't know a number, but a lot, actually. There are different ways of joining up the silos of accounting officers and Government. Either they can come to us together and say they would support that and want to do it together, and then that will happen, or over time we can deliver funds that cross different Departments and then ask Departments to prioritise between them as to what they think the best value-for-money outcome will be from those funds. There has been an increase in that over the last few years. An area I would point to, for example, is national security, when there is not the MOD, the agencies, bits of the Foreign Office and bits of the Home Office but a joint security fund.

The big one, which has been a sea change under this Chancellor, has been infrastructure, including Transport, Housing, BEIS, DEFRA and all those things. There is now a £30 billion national productivity and infrastructure fund, and an independent national infrastructure committee that asks what the country's infrastructure priorities are. The committee gives independent advice and the fund looks across the piece on that.

The Chancellor and people jointly say what they think the answer to that is, and then the Chancellor, with the Prime Minister, sets out some priorities. The industrial strategy is another overarching mechanism to try to bring things that were previously siloed together. The answer is that Whitehall is siloed and we have to work quite hard, using various mechanisms, to try to break through those silos.

Q83 **Anne Marie Morris:** What do you think you could do, or would like to do, to break those silos, to enable what you just described to happen rather more easily, rather than there being a bunfight between Departments as to who will put in what from their budget?

James Bowler: Yes, and I can assure you that most Departments think it is a very good idea that another Department spends lots of money on something that they are keen on. There are three buckets, if you like—joint funding, joint targeting and joint delivery and implementation. There are examples of those across Government, and I think they probably need to be done more.

It is not the case that a joint fund is always the right answer. There are pros and cons to pulling together a fund. Departments get the freedom to prioritise within their budgets. If you want to carve out a bit of that, there is a bureaucracy that can be inefficient, so you have to judge quite carefully whether that is the right thing to do to deliver value for money, rather than, as Ms Flint suggested, another initiative or another pot. I am not a big fan of pots for the sake of it, but that is a structure.

The implementation taskforce and a lot of how we work—certainly John and I—is around joint delivery and pushing things forward. John and I co-chair the major projects review group, which looks at virtually all the big projects that you look at, and we push through what we need to do, particularly what we need to do jointly. There is also joint targeting and things like that. Those are the buckets that you can have. I would say that we probably need to advance on all fronts, but being careful that what we do is right in each case.

Q84 **Anne Marie Morris:** And given that you said it is key to get value for money, how do you make sure that you measure the value for money of all this joint working and joint pooling of money, to ensure that at the end you don't say, "This is what has happened. Actually that wasn't value for money"? How do you continually do that?

James Bowler: Yes, absolutely. There is a very clear danger. The answer is that you must not stop at the announcement phase, but must follow through with that. We announced that we want to do quarterly monitoring of performance. However, John and I spend a lot of our time sitting in a very similar pattern—asking the questions rather than answering them—checking where Departments are on delivery, whether costs and benefits are materialising as we expected and understanding schedules and what-have-you.

Chair: Order. Sorry; I was not expecting another vote anywhere near so soon. I am afraid that we will have to break and come back.

Sitting suspended for a Division in the House.

On resuming—

Q85 **Anne Marie Morris:** Let me ask my last few questions. Business plans need to be flexible for change. What do you have in these plans, or what mechanisms do you have in the Department, to ensure that when things change, you can go back and work with the Department to adjust? It is not just about money; it is people, resources, delivery time, etc.

John Manzoni: You are right. The first point, which is the good news, is that at least some spending rounds are multiple year, so that sets a longer-term envelope. The SDPs are annual, so we re-examine priorities annually within that envelope, which I think is about the right periodicity of movement. In that sense, we get it dynamically. In truth, today, it is not as if these things are locked down so tight that if there is any movement, we need to change the whole thing, because as you have observed, they are quite high level. I think that basic framework of a multi-year SR and an annual look at the SDP, which allows the Department to reprioritise each year, is a good frame for what you are getting at.

Q86 **Anne Marie Morris:** I agree. My final question is to Mr Bowler, because you are effectively the man managing the money. It is fine to have a one year and then the rolling, but sometimes, Ministers come up with bright ideas and they want it done, preferably by yesterday, or something happens internationally—I don't know, ISIL or something like that—and it is not a question of looking at the end of the year; it is about now. How do you manage that?

James Bowler: There are a few points. If it is an unforeseen crisis—an act of God—we have a reserve in the centre through which we can add money to Departments to deal with that. We plan, as you do, for the unexpected, and then virtually every conversation I have with Departments is about prioritisation.

I will give two examples. First, Whitehall have been massively having to think through prioritisation with Brexit preparation: we funded them for 15,000 more staff, but even underneath that, they need to prioritise. I think the best example of this is post the last election, the Department for Education wanted to reprioritise what they did, and wanted to put more money immediately into frontline school funding. Their commitment went to a flat real per pupil, in the parlance, and they had to do a reprioritisation of £1.3 billion. We worked through with them how they would do that, and they rejigged what they were going to do and what they were spending to do that. It is a conversation I am in with virtually every Department of Whitehall, virtually all the time.

Q87 **Chair:** John, my final point on SDPs is whether other Departments see them. Are they shared within Whitehall?

John Manzoni: We were just discussing that. They are shared through the peer group, so the planners get together. As far as I am aware, we do not systematically share them across Whitehall.

Q88 **Chair:** But if I were a permanent secretary in a Department, I could ask to see another Department's SDP.

John Manzoni: Oh, yes.

Q89 **Chair:** Would they be cross-indexed, so you could look at what you needed to look at?

John Manzoni: Yes. Actually, the Health one has some joint objectives with the Department for Work and Pensions one, so I know those specifics are discussed. I am not sure that they are systematically shared.

Chair: I think you have got our message. We like SDPs, but we think there is a lot of work to be done, and our key message is that the public bit is not very meaningful.

Q90 **Caroline Flint:** How do you distinguish between a project and a programme?

John Manzoni: There are several answers to that. In infrastructure, which is easier, a project is a road or a bridge; a programme might be a long road with several bridges on.

Chair: I hope it is a bit more sophisticated than that.

John Manzoni: But in the digital world, we are having to move to programme business cases, because with the agile approach to doing digital projects, it is difficult to a priori assert a scope. We are having to be a lot more flexible about how we build digital capability and digital systems in an agile way, so we have a programme business case for an agile approach, which tends to set an envelope but tends to be revisited a significant number of times through the programme; it is not an a priori definition. In the old world, and in my world of capital-intensive activities, the more front-end engineering you do, the more definition—it is called the waterfall methodology; you define it all up front, and the more engineering you do up front and then you lock down a scope, then you can deliver it. Indeed, that is still good for infrastructure projects and other things. It is not good for designing and building digital systems, which tend to be in agile sprints, which learn as they go and therefore change. So the programme terminology tends to be used more in that context.

Q91 **Chair:** And presumably for things like dealing with childhood obesity, health and social care.

John Manzoni: Yes, that is another programme.

Q92 **Chair:** I just wanted to move on a bit more, Mr Bowler, to how your teams work with Departments. Obviously it is always a huge pressure from the Treasury on Departments to think about their short-term budgeting. Despite the spending review they have got to meet their annual budgets; so how do you, given that that is the focus, get Departments to focus on longer-term value—when your teams are driving them to make sure they are delivering short-term budgeting?

James Bowler: The first thing to say is they are given a multi-year budget, which I think does a lot to achieve that instantly. So they have clarity on the year after the year after. I think that is the first point.

Q93 **Chair:** If they don't balance their budget in year, they can't just roll it over. Well, I suppose they can in negotiation with you, but it is tricky. There is a danger—the old adage is if you want a social care package, apply for it on 1 April, because you are far more likely to get it than if you apply on 31 March. We know there is a truth about that in the public sector.

James Bowler: That is precisely what three-year budgeting is designed to get past, but my point is that it is only when things are off track that you are having a big debate about living within your means as a Department. That is the preferred world that we live in. The other sets of ways in which we are looking to be long term, not short term, are around the allocations we make and the funds we make. So we talked about five-year health spending funds; we talked about infrastructure, industrial strategy funding—there is a long-term commitment to up research and development, and we are trying to push that. Then, the other way—bottom-up—that we are trying to deliver long-term, not short-term, focus is by how we look at the extent to which people are actually delivering what they said they were going to do. The big thing that both John and I do is check on the very largest projects around Whitehall, as to whether they are on track, and try and spot issues as they come up, and deal with them.

Q94 **Chair:** Can you give any examples of things where you have decided or realised that it is not going to deliver what it was said it was going to, and you have actually pulled the plug on it, and what mechanisms you have for making that judgment? You have touched on some of them just there.

James Bowler: Universal credit has come into the major projects review group 12 times. It has probably come to you a similar number of times and in each case you are looking at where it has got to, what are the issues, the timetable, what is sensible for value for money and roll-out, and things like that.

Q95 **Chair:** Let me put it a different way. Some years ago, I think probably in 2011 or 2012, Sharon White, who had your role before you, sat in that chair and was asked a similar question. One of the things they were looking at was the use of classroom assistants. Classroom assistants had come in and were very much welcomed in schools by parents and pupils—it was seen as a good thing; but the hard-nosed Treasury analysis suggested that a lot of classroom assistants were delivering nothing—not individually, but collectively, as a policy—to achieve improved outcomes for children in educational terms. Later, it became a debate, but at that point the Treasury was doing that analysis. Can you give us examples of that sort of analysis that you are doing now—what projects you are looking at to see if it is actually delivering what it set out to?

John Manzoni: The implementation unit does a lot of that work. That actually sits in the Cabinet Office.

Q96 **Chair:** Can you give some examples?

John Manzoni: In all the implementation taskforces—so in skills, in housing, in immigration—they do deep dives on to the outcomes that you are pushing on.

Q97 **Chair:** Have you got examples of ones where you have suggested, or you have got them to pull the plug or massively alter it, because they were just not delivering what the policy objective was? This goes back to the point Mr Bowler made. Politicians make announcements, and we make announcements in manifestos, often with money attached, but because, actually, Oppositions do not always have the full information, you can see that it is a bit of a wonky process. A lot of Governments would quite like to be called out on things that are not working. To a degree, we are relying on the civil service to do that. Can you give me any examples?

Caroline Flint: Green deal.

Chair: The green deal was one that did not really stop soon enough. Sorry—you are talking to two former shadow Secretaries of State here. Let us leave that for a minute.

John Manzoni: There are two categories of this. One category is the big projects that are more in our space, where we do intervene in certain projects. There are multi-year projects that are going on and we have to adjust them. We do not make the decisions, but in some senses, we create the environment in which these things can get adjusted. We either slow them down—universal credit is a great example—we reset them, or we change them. The carriers had some things. In almost all of them, actually, we are looking at them through the project itself to make sure, based on lots of inputs and lots of analysis—not of outcomes of the way the project is going—

Chair: You are talking about the big projects there, but—

John Manzoni: If you go to the taskforces—I am just trying to think—in the digital infrastructure taskforce, there was a lot of analysis of whether the phone signal was working properly on trains. I do not think they are big right-hand turns or big left-hand turns, but they are adjustments that are made.

Q98 **Chair:** Frankly, some things could be bigger. I am tempted to do a Committee session on prime ministerial initiatives we have known and loved. You could list them—Charter Mark, the Cones Hotline, Blackberrys for bobbies. Someone got to Tony Blair before he marched them to the cashpoint to take the money out, and told him it was a silly idea, but a lot of those ideas become policy because they have come from a high level—not just No. 10.

John Manzoni: As you say, that is not uniquely prime ministerial.

Chair: They are not always very sensible on the ground. Frankly, money gets wasted before someone is prepared to call it out. Do you have any examples of ones you have called out and stopped in their tracks, or that started and, because the objectives were not being met for whatever reason, you called out? You must have an example. You are either too frightened to tell us, or there are none. I cannot believe there are none.

James Bowler: I am not going to say they are in the same category as the ones you just listed, but I will take one process point and one other example. In the last Budget, we announced the end date for Help to Buy equity loans, which is a big £5-billion-a-year financial transaction. We reduced its eligibility considerably, and that—

Chair: Presumably because you realised it was causing unintended—

James Bowler: Well, not so much that, but it was put in place as a response to the financial crisis. Quite a few things have been put in place as a response to the financial crisis, and time moves on.

The other thing I am particularly keen on is that we also announced one Budget a year, which I very much think should contribute to reducing the number of changes that are announced in any one year, which could much improve planning. Under the last Government, and under this Government, if you have two Budgets a year announcing 200 different policies twice a year, by definition you are going to get a load of those kind of announcements. The current—

Q99 **Chair:** In other words, you are keen to restrict the opportunity for political, on-the-hoof announcements—or am I putting words into your mouth?

John Manzoni: That is certainly true.

James Bowler: How do I answer that with the word "yes"?

Chair: Now at least we know where we stand.

James Bowler: It was not me. For the current Chancellor, in his first autumn statement, his rabbit out of the hat was that that would be the last one, and he changed the timing of that. That was precisely because, if you want long-term planning, you need to let people get on with it. I think it is the case in our political system that, by definition, if you stand up with the media spotlight on you, you end up making one announcement from each section and all those sorts of things. The Chancellor acknowledged that—the NAO had talked about it and the Institute for Government had talked about it—and made the unusual political announcement that he was restricting his access to the stage.

Q100 **Chair:** We on this Committee look at a lot. I remember, Mr Manzoni, that you were sitting here when we looked at the National Citizen Service. We do read body language in this Committee, so I think we know what you thought about how that session went, and we are probably in agreement on that. A lot of money was being spent and they were well over budget for what they were targeted at. The actual target budget was really high for what was being delivered and there were very complex plans for expansion. We have not looked at it recently, so I wouldn't want to comment on exactly where it is at now. That is now very much embedded. It might be getting better—one would hope it can only get better, because it was so bad—but it has carried on regardless, even with those massive cost overruns. No one was prepared to call it out. Privately lots of people were calling it out, but in public no one wanted to go on the record, least of all the civil service.

John Manzoni: I don't want to get into the specifics, but that now has a royal charter.

Q101 **Chair:** Exactly. It is now very much embedded. But you must recognise what I am saying?

John Manzoni: I do.

Chair: There's a point at which it needs to be called out. Actually, even though politicians are here to make decisions, sometimes we need to be—

John Manzoni: There are some examples. Process-wise, we are getting better with all sorts of mechanisms, to intervene. I am fine with anybody announcing an ambition. I am not fine if they put a timeframe to it before it has been worked through. Through the IPA we have various mechanisms now to slow some of that stuff down. A recent example is the T-levels, which are a very sensible thing. A lot of this stuff goes on before it gets published, but in that case, the permanent secretary at the Department for Education acquired a direction to implement in the timeframe that the Minister wanted. It is a perfectly reasonable thing to say that this a bit of a problem.

Chair: Would you like to see more letters of direction to Ministers?

John Manzoni: I would. I think there should be more.

Chair: How about you Mr Bowler?

James Bowler: We are in discussion with Departments all the time making sure that we are trying to take sets of decisions that in most instances don't require a sense of direction, because I think the direction is a particular political versus official issue, so I do not think that more directions would be a measure of success. A measure of success would be the officials having better conversations with their Ministers.

Chair: I think it is interesting that letters of direction always come out more towards the end of a Parliament when the permanent secretary knows that their Minister might not be around after. It is noticeable.

Q102 **Caroline Flint:** Without becoming the shop-steward for Ministers here, part of the ability for a Minister to re-think something is the quality of advice from civil servants, not just in terms of the evidence that an idea will achieve the outcomes you want, but some sense of the resourcing and workforce that will be needed to make that happen, and—once you have agreed that—the timescale to get those positions into place. I have always had this geeky idea that I would like to—not just on my own—look at laws that are passed and how many of the actions that were meant to be forthcoming from those laws ever happened. I know only too well having taken legislation through Parliament myself that often timeframes are put on those things, because they would negotiate with Departments and say to Ministers, "Well, there is no way we will be able to do this in this year, so we will have a lag." The problem with that was—in terms of good public policy—that you had a whole fanfare around doing this and then it never happens for two or three years, or maybe never happens at all. It is about how much you two—particularly in your Department, as gatekeepers for this, but also as enablers in this conversation—are ensuring not only that you have the skillset to be able to impart that to the Departments, but that the Departments have to ensure they have the skillset in them to provide that sort of holistic, comprehensive advice that is not perfect by any stretch, but that can inform both senior management and Ministers as to the right decisions, or as near to the right decisions they should be making.

John Manzoni: This is a big and important point. It is all about skills and experience. I have made this point repeatedly. This does not get learnt in a book, because the amount of time any particular thing takes to put in place, the complexity of a commercial arrangement to go and procure it, and how long the technical work will take to build the particulars are all an experiential issue, not an intellectual issue. That is exactly why we are putting in place a functional structure that gives civil servants that experience. Today, we do not have that in place sufficiently, so that we can sit opposite a Minister with credibility and say, "I understand that, but you are never going to do it in that time. It just won't work." We won't be right all the time. The problem is that if you do not have that experience, you just come across as a naysayer and that is not helpful either. We have to rebuild that relationship over time, which I think is at the core of solving this particular problem. If you have somebody opposite say, "That's fine; I understand what you want to do, but the reality is it'll take this many resources, it'll take us this long and this is how we'll do it," and you believe that person, there is a much broader understanding of the amount of stuff that can be done. That is a shared context that we have to set. That really does take some time, because you have to build that experience.

Q103 **Chair:** And build it within the political sphere as well.

John Manzoni: Both. This Committee has been to the Major Projects Authority, so you can begin at least to understand the complexities and the exogenous factors that change projects and make it all very difficult. I think it is always the case. This is at the core, which is why I am so passionate about building functional capability and experience back into the civil service, because I think we have lost it.

Q104 **Chair:** I am going to come on to skills in a minute. Very briefly, Mr Bowler—I am just aware of time.

James Bowler: Very briefly, a lot of what the people who work with me do is to challenge uncosted and un-thought-through commitments, be it in SDPs or in legislation or in announcements. Our main focus on the NHS plan is that they can deliver a sustainable NHS before they add 17 new commitments on to it. The other thing that is relevant to the Committee is that Secretaries of State and accounting officers have to sign off their SDPs as deliverable, which is a new accountability mechanism that Mr Manzoni has very much been pushing. That is a personal accountability that they then have to take.

Q105 **Chair:** I have to say that I have been on this Committee for seven years, and I have heard the Green Book mentioned far more in recent years than it was at the beginning. There you are, Mr Manzoni—a small tick for your efforts, possibly, and for the Treasury's efforts.

We have touched on the Barber work before, and of course there are what you might call the Barber pilots—the public value pilots—under way. Will they be informing the 2019 spending review? Will they be advanced enough to inform that?

James Bowler: Yes, very much so. Some of the pilots have been completed; others are still under way. They are not perfect and we are learning how better to do them. I think we were a bit too all-encompassing—we asked people more than a hundred questions and they found that too intrusive—so we are scaling back. I mentioned earlier that there are three lessons from them so far. On the third pillar of the Barber work, engagement, we are finding quite a lot is under-appreciated in Departments. That is lesson one so far. The cost-shunting area that you talked about is also underdeveloped. The third one, which is interesting and Michael Barber pushes very much himself, is to what extent people are looking for innovative solutions. I just wonder whether some of our processes don't incentivise innovation. People are worried about—

Q106 **Chair:** Or rebadging things as innovative.

James Bowler: Or rebadging, but also, if you try something and it goes wrong, will you get into trouble? Those are the three interesting areas that the pilots—

Q107 **Chair:** So what are you going to do on the public engagement? Local authorities do this all the time. The NHS is less good at it, I would say—I don't know whether Committee colleagues agree. There are examples out there of bodies that are engaging all the time with the public, including some private companies that do it very well. Where are you learning from, and what are you planning to do to up your game on that?

James Bowler: We will ask Departments as part of the spending review process to assess where they find themselves against the Barber four pillars and to look to see what they could do better under those four pillars. My expectation is that that third pillar, on engagement, which is about not just engaging users but engaging taxpayers—the example Michael Barber gives is that people will only use the public service you are delivering if they find it useful and helpful. It is not good enough for the public service just to exist; people have to have a good experience using it. It is just understanding things like that. We will be pushing Departments to look at their capability to understand that in the first instance.

Q108 **Chair:** I would love to go down this road further, but given the time I perhaps will not. It is something we are keen to see. I know some academics are looking at this issue around public value, too, and it is a really interesting area. My worry when you talk about it in the way you have is that you have processes in place. It is just the language—"third pillar" and so on. You actually have to just talk to people, don't you?

James Bowler: Absolutely. Sure.

Q109 **Chair:** You have to find a way of capturing it that's a bit more than that, and listen to the people on the frontline, I guess.

One other thing that has come up in this Committee recently is the way certain public bodies are using or not using their assets. In all your work, when your spending teams are looking at day-to-day spending, are they really getting an overview? I will give you an example. It involves one police authority or police force neighbouring another. One sold its police headquarters and rented off, I think, the local fire authority, so it had no assets on its books, but was relying on the neighbouring authority to have an asset that it could rent. But that creates an imbalance if it plays out across the public sector. On one level, they are saving money, but on another, they are opening themselves up to other liabilities. Are your spending teams looking at that kind of asset management? The MOD is another case in point, with the land sales there. There is a lot of discussion about what the impact of that could be in the long term; it could actually end up costing more.

James Bowler: I think you raised this with the Chancellor at Treasury questions. Yes, I was in front of the Committee a few weeks ago talking about the Whole of Government Accounts and the balance sheet review that is under way. A core part of this is to put in place a framework that says that when you sell an asset, you have to show the impact that has on all the various measures of public finance and, in particular, that you are getting value for the sale of that asset. This is trying to avoid the idea that you are doing a fire sale. Putting in place that framework would be—to make my answer quick—the best way I would be thinking of trying to achieve that.

Q110 **Chair:** Okay, but would you be concerned about this? We also see it, obviously, with local authorities. An example that is probably one of the easiest to understand, in visible terms, is that when bus services were privatised, a lot of bus garages were sold. Then you have long run-in times: sometimes a bus is travelling for an hour before it gets to pick up its first passenger. But you can never buy those back, because physically you need bus garages in certain places. Taking that example and extrapolating it more widely, are you looking at that as part of the sensible long-term planning? I ask because you could be building in quite long-term challenging costs in the future and costs to public value, because service delivery deteriorates as a result. I'm talking about bodies selling off their assets without thinking about the long term. It might be sensible now, but in 10 years' time things might change. Who would have predicted that bus travel in London would go up massively? And it has gone down 6% in recent years, so it ebbs and flows.

James Bowler: Well, I won't give you a good answer on bus travel.

Chair: No, I'm not expecting you to talk about that, but it is an illustrative example.

James Bowler: The answer is yes, we are. The focus on the balance sheet is hugely more than even at the last spending review. There is £1.9 trillion of assets in the public sector that need to be managed well and better. By the way, there is £4.3 trillion of liabilities that also need to be managed better. In terms of those assets, I would say that, as well as sales or not sales, the issue of maintenance is a key one. It hasn't been the case that people have thought as much as they can about maintaining those assets and the danger that their value is going to decline on their balance sheet. Each Department sets out its annual accounts, which go through the value of those assets. That is a good way of testing that. And then we pull it all together in the Whole of Government Accounts.

Q111 **Caroline Flint:** Can I link to this the issue of public value or common good? This Committee has raised concerns at the contraction of services that used to be provided outside London and the south. An example of that involved BEIS, which seemed to bring in all its bright young people—it shut down in Sheffield and said it all had to be done from London. Where does that figure in terms of public value and common good? Shouldn't we have, through the leverage of government and spending, a more balanced delivery of services that offer good, well-paid, exciting career jobs outside London? With technology as it is today, there shouldn't be any reason why people can't work outside the M25.

John Manzoni: Actually, they cancelled the closure of the Sheffield office and reopened it as—

Chair: Yes, we know. We didn't want to admit it, but we did win on that one.

John Manzoni: You did know that.

There is actually quite a big push, which I think is very important, for the reasons that you have given, to move the civil service nationwide—to significantly create a distribution away from the south-east of England. That is not done by saying, "Well, I've got to move these jobs out." It is done in a more strategic way, so it is going to take some time. Funnily enough, I was at a meeting this morning. There are several projects. The hubs project, which is a property project, is creating hubs in all sorts of places outside the south-east of England, including in the devolved Administrations.

Q112 **Chair:** Be careful about that one, because you are also closing down a lot of offices—

John Manzoni: I agree; it is closing some small ones and making them larger, but not in the south-east of the UK. I will give some examples. There is a health cluster that we are talking about quite seriously in Leeds. There is a culture cluster being discussed in Manchester. There is a transport cluster being discussed in Birmingham.

The question is, can we create a strategic reason for senior civil servant roles? It is no good just putting all the juniors there; senior civil service roles have to be deployed around the country. I do think that is important for the reasons that you have said.

Also, by the way, it turns out that the young civil servants are dead keen on this, because of course they cannot afford to live in London any more. There is a big groundswell, which gives me more—it will not be instant, because it has to be more strategic, but we are putting in place some significant work that will, over time, absolutely have that impact. It is really important, actually.

Q113 **Chair:** I want to cover a couple of things. I was just trying to find the figure here, but the NAO did a survey about the skills of the teams in your Department, Mr Bowler. It came up with quite startling figures about the number of people who did not have frontline operational management experience—I would not expect all of them to have it—which it felt was having an impact on their ability to do their job. Where do you think you have skills gaps and what are you doing to improve that situation?

James Bowler: Just quickly on external experience, by recruiting more people from outside the Treasury—I think all the senior civil servants who manage my teams now have had previous experience from outside the Treasury, which just would not have been the case in the past—and trying to do more of that, but—

Q114 **Chair:** When you say "outside the Treasury", I know in the Treasury, "outside" might include Government Departments. Do you also mean outside Whitehall?

James Bowler: Yes, though other Government Departments are a start.

Chair: It is just that outsiders do not last very long. Mr Manzoni is an unusual success.

John Manzoni: There are more of us now.

James Bowler: The second thing I would say, which is an important part of this whole thing, is that the model we have chosen to pursue public value is to marry the spending teams' work with the functional work. The functional work—I think it is understated—is a sea change in the professionalism and capability of professional skills in Government. That is on the finance side, very much so on the project management side with the IPA, and very much so on the commercial side—everyone will have their thoughts on Carillion, but the need for those high-end commercial and procurement skills was very much in use there—and there are a set of other functions. That change is quite recent.

The capacity increases are large, but the skill increases are the most important. The spending teams that work with me would now look at a particular issue with that blend of horizontal functional skills. That has been the biggest change, which has made quite a big difference to how we are able to professionally do our jobs.

Q115 **Chair:** While age is not everything, and I am not ageist, age can be a proxy for experience. What is the age profile of your teams?

James Bowler: I cannot remember if it is in the Report, but the Treasury is a young Department.

Chair: That is my point really.

James Bowler: Trying to improve our experience and understanding is a key driver for the board and the permanent secretary. That is why the links to that professional and expert advice on the functions are very important.

Q116 **Chair:** One of the things is to try to hold on to your young recruits and keep them in the system longer.

James Bowler: Yes, the Treasury is a net exporter to Whitehall. They get lapped up very quickly by other Government Departments. The big thing we have done is to create a new grade at the level just below the senior civil service to reward experience and to try to reduce the turnover. That is there. It is a particular grade that rewards specialisms and experience, and that has worked actually, in terms of longevity and reward—obviously, it comes with recognition on the pay scale as well.

Q117 **Chair:** One last point from me. Principally with some of the very large projects and programmes, like at the MOD, some of which run over many years, we and they probably share the frustration that annual budgeting can cause quite big challenges. They can have multi-year budgets and long programmes, but they still don't know how much they are actually going to be able to get in future years. Quite rightly, you hold their feet to the fire on it. Have you thought at all about looking at that differently across some of those very big, long-term projects, like the nuclear submarines?

James Bowler: You mean Dreadnought and things like that? The first thing to say is that they don't have annual budgets: the MOD has a multi-year budget, and the equipment programme has a 10-year budget.

Q118 **Chair:** Except that they don't know exactly what they have got. They still have to go through the spending review process, and in their case, to make it more complicated, there is the SDSR—

James Bowler: They do, but the reason that I am being quite abrupt on this is the joint experience that we have had in joining the MOD. It has a multi-year budget and a planning assumption of 0.5% going into the future, which was part of the last spending review—a big sea change and in complete recognition of the fact that it has very long-term projects. We are in discussions with it on its very big projects very regularly, and you will have seen that in the last Budget there was additional funding for the Ministry of Defence. Of two of our reasons for giving that additional funding, the first was very much value for money, to ensure that particularly on the Dreadnought programme it didn't do things in the short term that would create costs down the line—so we paid up to avoid that. The second thing we are doing is to back the new COO in the MOD, which John is closely involved with, to ensure that he has the capability and skills really to start to deliver on the transformation needed in the MOD, DE&S and more generally, because the experience of the last spending review is that they set out saying that they wanted this level of equipment programme, they partly paid for it from that level of efficiency, but of course costs rose, and the equipment programme and the efficiencies did not all come to pass—

Chair: Funnily enough.

James Bowler: Funnily enough. We want to learn from that and to avoid it in the future.

Q119 **Chair:** On that particular point about the efficiency savings—Cat Little, the finance director at the MOD, made a good fist of it last time she was in front of us, about much tighter assurances being in place—what are your spending teams doing to ensure that you are assuring spending on those very long-term and complex projects?

James Bowler: We do it through the major projects review group. John and I will sit down and, with the help of a review and some independent experts, will then question the SRO, the permanent secretary and the finance director about what their plans are to ensure that they deliver to cost, that the benefits will come through and that they have the capability and skills to deliver the project. That is something that takes up an awful lot of our time, but I think is a sensible use of our resources.

John Manzoni: I hope this is public—I think it is—but in fact they are doing a very major transformation at the MOD right now. I am sure that Cat was talking about that. They have allocated some money towards that—they have invested in the change. They have agreed to invest in that change some of the money that Treasury gave—they have taken it and said, "We're going to invest in this change", as opposed to another bit of kit or something. That is a very important thing. I think that they have called it this time, and the question is, can we sustain it?

Q120 **Chair:** That is exactly the question, isn't it? We are keeping our eye on them too, so don't worry. Sir Amyas Morse.

Sir Amyas Morse: Very quickly. The test will be how you come up on the hard issues that everybody knows about but we are not actually talking about at the moment. We have been appropriating capital budgets in the NHS to support the RDEL budget for the past several years. Now there is an under-investment in capital assets in the NHS. Are you going to be allowed to do that in the future? If you are going to be serious you will have to tackle that.

Equally, you know that the MOD have been producing huge great numbers for efficiencies that aren't backed up with any detail. If you are going to carry on allowing that to be accepted, you are not really moving forward when the rub hits the road, are you? The test is not whether you can talk a nice talk but, when it comes to the really hard calls, whether you will be able to make them or not.

James Bowler: I agree with you. As the Chancellor would say, a spending review is all about choices, and one danger of that thing is that what we might call false efficiencies start to blunt some of those choices. It then comes back to what we have been talking about, which is prioritisation—can you prioritise or risk an over-programmed programme going into that, and can you prioritise when situations change?

On the NHS capital issue, one of our five tests is about capital and making sure that the investment is going in to help to deliver a sustainable service going forward, rather than capital switches or skipping on maintenance. However, it is worth saying—the Committee will have seen it over a number of years—that at the spending review, prioritisation and choices are the hardest thing to do, regardless of the funding that we have. We endeavour to give Ministers absolute clarity—even better than last time—

on the choices that they need to make. It is hard yards. What you are seeing at the moment is the MOD grasping some of those choices, which I think Cat has taken you through.

Q121 **Chair:** Who is looking at the long term? Ministers are here today and gone tomorrow; some of us have been Ministers. There can be a benefit to some Ministers of making sure that today's announcement is positive. They are not worrying about the lack of maintenance long term.

John Manzoni: One of the tensions, and to your point, Sir Amyas, is that we work in Whitehall in a delegated model, which is all fine until it doesn't work. When it does niot work, you have absolutely no levers to fix it. We have to build back from that.

What is actually happening at the MOD is that they are putting in exactly the functioning model between the centre of the MOD and the top-level budgets that we are putting across Government. That creates a transparency and a shared context, so we can all understand. We cannot just stand back and say, "Well, you didn't do that, so we are just going to beat you over the head". The world doesn't work like that. We have to build skills.

Part of creating that transparency is the programme that Cat and the chief operating officer, David Goldstone, are overseeing in the MOD, the modernising defence programme, which is a long-term programme of capability building and the building of a function structure through the MOD. They are replicating the strategic supply, so the conversations with Babcock are taking place with the MOD in a totally different way today than they were even three months ago.

By creating that transparency, we will at least see if someone is making a short-term call. I deeply feel this and have felt for a long time that just pushing the problem to the right and solving today's problems just isn't the way. The problem with solving it is that it is a long-term fix. It takes time and it takes transformative change. That is what is happening.

Chair: And it is difficult to do when you don't have stable governance.

John Manzoni: It is very hard to do, but I actually think that we have to be really brave in this.

Q122 **Chair:** So does that mean going back to the ministerial letters of direction? If the permanent secretary at, say, Health wants another repeat of capital funding being denuded and turned into—

John Manzoni: It is always a balance, isn't it?

Q123 **Chair:** That is the problem. There is always a tiny balance at the moment the decision is made, but cumulatively it has had a huge impact on the NHS estate and equipment.

John Manzoni: As it happens, I think that the permanent secretary of the Defence organisation and the Secretary of State for Defence seem to be finding a way to sort that out between them, which is good, actually. As I say, he has invested quite a lot of money in the long-term change.

Chair: We will wait and see. We have not seen the modernising defence programme. We potentially have the strategic defence and spending review looming, as well as the spending review.

James Bowler: May I make a quick point? The other thing that we have done on the long term is to get the OBR to publish its forecast right out to 2060, which tells you pretty bluntly—not many other countries do this—that if we carry on with the policies that we have today unchanged, that is completely unsustainable with the pressures that are coming towards us, most obviously an ageing population. That is a very useful part of the architecture to remind policy makers today that they need to start making the decisions for tomorrow. In certain areas, such as pensions—

Chair: At the moment, next week seems like a long agenda for politicians.

James Bowler: We provide you with the evidence, and you can take it from there.

Q124 **Caroline Flint:** But does it not also require them looking at what they are doing and saying, "We should stop doing certain things"?

James Bowler: Very much, in virtually everything you do, the issue of prioritisation is there, over-programming is there, and over-optimism is there.

Chair: I would like the idea that politicians look 20 years ahead, but at the moment I think that is a bit of a—

James Bowler: You say that, though. You are right, but on some of the decisions on the state pension age, the UK, unlike many other countries, is much more advanced in taking some of those decisions than others.

Chair: There is a lot of debate. I know the Institute for Government has been doing some interesting work on what incentivises politicians to think like that.

Thank you very much indeed for your time. Sorry it ran over a bit, but that is democracy in action with our votes. Our report on this will be out on this at some point in maybe January or February. Thanks very much indeed.