

**Former Cabinet Secretary Lord O'Donnell Interview with Lord Hennessy
Wednesday 30th February 2013 at 10 Downing Street**

Key

LH: Lord Hennessy

LO: Lord O'Donnell

LH: My name is Peter Hennessy and I'm in conversation today with Lord O'Donnell of Clapham, Sir Gus O'Donnell, the former Cabinet Secretary, who between 2005 and 2011 served three different prime ministers; Tony Blair, Gordon Brown, and David Cameron. Gus, you were the second professional economist to hold the Cabinet Secretary's job after Andrew Turnbull. Do you think that's an advantage in today's world, to be numerate and economically literate?

LO: I do, and my background was an academic economist and economics is so important to the success of governments, you know, jobs... to people really, and so understanding the way economies works is – not that understanding is anything like as good as it should be – I think is crucial. And to be honest it shows as well the way the Civil Service has changed because, if you remember, there's that lovely *Yes, Minister* episode where there's a specialist in the room and he confides to the minister that he's not going to get very far, and he says 'why not?', and he says 'well I'm an economist', and in those days I think you were held back. Nowadays I think we love having people with professional skills in the Civil Service, be they economics, history, whatever.

LH: It must be quite tough if the prime minister you work for isn't particularly numerate or economically literate. How did you manage that?

LO: Um, we never...

LH: Stories? Slides?

LO: Um, would never... We... The system works with Chancellors and Prime Ministers who have got varying degrees of economics. You know, some very expert, some not. The correlation between the degree of their expertise and the success of the economy and the government is quite low, unfortunately.

LH: You're an economic historian as well, of course, aren't you, by background?

LO: Well I think you absolutely need to look at history and you absolutely need to look back and say, 'so what should we learn from this episode?' Not that history, to my mind, ever repeats itself in ever the same way, but the one thing I've learned from history is being prepared for every eventuality, that actually our predictive powers are quite low and so it makes sense to do lots and lots of preparation for all sorts of different scenarios.

LH: So you're keen on your successor Jeremy Heywood's new initiative on horizon scanning – giving a boost to cross departmental horizon scanning.

LO: Absolutely. I think one of the things... If you look back, for example, at the financial crisis, you know, and you look at where was that on our risk register, actually it wasn't there because we were concentrating on non-economic issues actually within the Cabinet Office. I think it's really important that we do these sorts of things, where someone thinks the unthinkable and says, 'well, what if?' and we've got a contingency plan, because I've known occasions where something has arisen where actually you're struggling around and in the first couple of hours of a crisis you really need to have some expertise there. A classic example would be the foot and mouth crisis where the second time round was a lot better handled than the first time and that was because we'd learnt a lot from the first experience.

LH: And everybody had forgotten the 1967 one.

LO: I'm afraid so, and that's one of the things where I think we need to be really careful about writing down, and keeping, and passing on, what were the lessons of these crisis? What does it mean for our procedures? What should we change? What are the things to look for in the first few hours?

LH: It sounds to me you're in the Mark Twain school; history doesn't repeat itself but sometimes it rhymes.

LO: Exactly, and there are things that come along like the financial crisis in 2008, you know... For me, the memories of Black Wednesday and the exchange rate mechanism and us falling out of that, there were elements of that about it – the fact that it moved so quickly, the fact that over a weekend you're faced with a situation where all of the big banks were basically bust, and you're thinking about how do we save that situation? Obviously, Treasury in the lead. But if you've been through something like that before then you realise that financial markets move incredibly quickly. You know then that you can't afford to say, 'well, lets sit back, lets analyse this to death', and actually if you do that the patient is dead before you've prescribed any medicine.

LH: A clever young historian might look back and think, 'every time there's a big crisis there's Gus in one form or another lurking in the inner group!' That's unkind... but you have been through a few, haven't you?

LO: Uh, yes, I would say coming back to Number Ten you can't help but remember when I was downstairs in the cabinet room and the IRA decided to test out their mortar bombs and landed them in the garden, which was quite fortunate because if they had landed them slightly closer to home you would now be talking to somebody else, Peter.

LH: Yes, it doesn't bare thinking about does it. Did you really want the job in the first place, because I remember we had a conversation at a British Academy do for economic history – it was a special economic history evening – and I said, 'you'll take the job if you're offered, won't you?' and you were not... you didn't strike me as the most ambitious man in the world for the job?

LO: No, I'd never taken the view that within the Civil Service is a greasy pole and you're trying to get to the top of it. What I had always thought about the Civil Service was it gave you incredibly interesting jobs. You know, I loved the jobs I had and as an economist, you know, I was like a bear in a honey pit, you know, in the Treasury, because it was everything I'd ever been taught. You know, and things like liquidity traps, which I thought would never ever be useful turned out to be incredibly useful, so I loved the treasury. When Andrew was due to retire, the question was...

LH: Andrew Turnbull?

LO: Andrew Turnbull, he'd been my predecessor as head of the Treasury. The question was did I want to apply for the Cabinet Secretary job? And to be honest, by then, I was beginning to see the broader situation in terms of the whole breadth of government policy - because in the Treasury you're funding the spending of all of it - and I became much more interested in the whole questions of leadership - leading the Civil Service, so the Head of the Civil Service role really appealed to me - and, you know, the whole question about modernising public services, which was something that Tony Blair was passionate about, and I felt I could contribute as his Cabinet Secretary.

LH: Who were your models for the job of Cabinet Secretary and how did you learn from them?

LO: I remember a discussion because I got them all in a room very early on to say, 'look, can I learn from you?', and the phrase that they all used was, 'you're standing on the shoulders of your predecessors and you're building on what they have established.' And when I look back on it, Robert Armstrong's ability to write in such a way that decades later you feel that you're right in the moment with him was fantastic. Robin had been... I'd worked...

LH: Robin Butler?

LO: Robin Butler. I'd worked as Press Secretary to John Major while Robin Butler was Cabinet Secretary and I'd observed the way Robin handled some incredibly difficult things - Alan Clark diaries, all those sorts of things. So I learnt quite a lot from Robin about - and also another person with a Treasury background - how to broaden out, think about the wider breadth of things, and of course the issues about the press and getting them in perspective, because obviously my Press Secretary experience was quite good but there was more to life than just the next day's headlines.

LH: You had been John Major's Press Secretary in the Treasury and here at Number Ten...

LO: That's right. I'd got that experience but, to be honest, one of the important things to learn was not to take the press side of things too seriously. It shouldn't dominate, you need to get that longer term vision. And then after Andrew there was Richard who had a

lot of experience in some areas that turned out to be very important in my time – Home Office, crime issues, you know...

LH: Energy too.

LO: ...Energy, exactly. That was all important, and then Andrew... in a sense Andrew kind of had brought me along, had made me... been instrumental in making me be Permanent Secretary of the Treasury, and instrumental in making sure that handover was as smooth as possible, and I'm eternally grateful to him for that.

LH: So there's a kind of apostolic succession about all this?

LO: Well I think the point is there are so few of us as Cabinet Secretaries. The ones that are alive have all got together and have all, kind of, helped each other, you know, because there are these big crises, some of them actually never become public, so there are certain things that you can just talk to a very small number of people about and...

LH: It's a classy little trade union really, isn't it?

LO: Well it's a group of mutual learning and, of course, you know, we disagree about certain things and we place our emphasis in different places, but I think the core of our support for the traditional Civil Service values of honesty, objectivity, integrity, impartiality, that's there in all of us.

LH: The great Northcote-Trevelyan principles.

LO: Exactly, and getting those put into legislation in 2010, I was extremely lucky that that happened during my watch but, actually, again it had been prepared, the ground had been prepared by many of my predecessors.

LH: I suppose in human terms, because of the sensitivity of some of the material – a lot of the material – the Cabinet Secretary sees, there are very few people you can talk to about some of it.

LO: That's absolutely right Peter, and at times someone like you would be someone you couldn't talk to about some of those issues and you would find that quite difficult, but it's absolutely true!

LH: How vital was... We've mentioned it already about your earlier experience in Number Ten – Black Wednesday you were over in Admiralty House, losing a billion quid an hour at the height of all that, that must have been the most extraordinary episode in September 1992. You carry the scars don't you?

LO: Uh, let's not exaggerate, it was only a billion dollars an hour.

LO/LH: [Laughter]

LH: Oh I'm sorry, if only I'd known.

LO: But it was dramatic. Lesson number one, don't go to Admiralty House if Number Ten is being redecorated.

LH: ...because the Cuban Missile Crisis blew up when Macmillan was over there.

LO: Precisely. Now see I didn't learn my lesson of history. Actually then I was Press Secretary, let's be clear, so I'll blame the Cabinet Secretary at the time. But it was a massive crisis, one that we weren't really well prepared for – as prepared as we should have been – and we didn't have the information flows in Admiralty House, and it was a big trauma....

LH: You didn't even have a Reuters screen, I think.

LO: No, no Reuters screens...

LH: So bits of paper had to come in with the exchange rate...

LO: There were people on the phone. The phone bill was pretty dramatic but it was, for me, quite traumatic and it put me off fixed exchange rate systems, and it certainly influenced my attitude as to whether or not we should join the Euro, in the sense that I was passionately...

LH: ...you changed that day did you?

LO: ...passionately against. Oh... I was never a great fan of fixed exchange rate systems, a big fan of inflation targeting, but not fixed exchange rates systems. History had taught me how they can go badly wrong and it's, kind of, an attempt to put politics above economics and, in the end, that can work for a while but eventually, the economics will out.

LH: In human terms it must have been quite extraordinary. I think it was Douglas Hurd, or Ken Clarke, or one of the others, describing how they were brought in, the senior ministers, to dip their hands in the blood before we withdrew from the Exchange Rate Mechanism and all that, and then seeing how people reacted to it...

LO: ...well it was...

LH: ... must have been quite extraordinarily interesting.

LO: It was. There was what you might call the A-team, the heavy-weight senior ministers were all there in Admiralty House, and it was a big moment because this was a change in the government's fundamental economic policy, but also there were implications, you know. Did this mean that we were going to change our stance with

respect to membership of the European Union? And, you know, I think Ken Clarke was very keen that it should be clear to everybody that we had left reluctantly, that we hadn't said 'oh, thank god, we can get out of this', because I think he felt that we'd missed out on the earlier moves in Europe and we should have been more in the mainstream much earlier.

LH: Yes, yes. What surprised you about the job of Cabinet Secretary once you'd started it, something you perhaps hadn't anticipated...

LO: ...I don't...

LH: ...something the elders hadn't told you about?

LO: ...I don't think you can ever quite comprehend the sheer breadth of the job because everything matters in one way or another. You know, it could be something to do with crime figures one day, it could be some personal scandal of a politician another day, it could be a nuclear issue which is one of those long-running big philosophical questions about precisely what are we trying to do in terms of nuclear deterrence. So, it's that breadth that I think, you kind of know it's there but then suddenly something from one of those areas will come up and one of the things you realise that you hadn't quite got before was that no easy questions ever come up to the Cabinet Secretary, someone else has dealt with them all along the way, so the only ones that really come to your desk that you really have to spend your time on are the ones where they're very hard – surprise, surprise – you know, and people had very strong, and different, views. And you're trying to help Prime Ministers' Cabinet get to a view when there are great differences amongst them. When they're all united it's completely straightforward.

LH: Do you think then it's a supreme advantage that we haven't got a politicised senior Civil Service because you giving reality to them, telling them what they need to know rather than what they wish to hear, is absolutely crucial, isn't it? And if you were a political appointee there would be question marks about that.

LO: I think that's absolutely right. I think you find this move to, 'give me some policy based evidence. This is what I believe, go and find some evidence to back it up', as opposed to the principle, you know, the honesty, objectivity part of 'we will go out there and tell you what the evidence tells us about what works and what doesn't work, and we might suggest to you ways of creating some more evidence', and give it to people in an unvarnished, independent form, to say, 'look, here are the pros and cons of this policy'. In the end, we advise, ministers decide, and once they've decided, we do our best to implement it to the best of our knowledge, but it's really important that we do that telling truth under power and give them our independent objective views.

LH: Do you think that's the prime requirement for a Cabinet Secretary, the indispensable one, whatever the circumstances, whatever the party, whatever the Prime Minister, is speaking truth under the power?

LO: I think that's what Prime Ministers most want, and most need. You know, it can be uncomfortable at times, but when you look back on it, it would have helped every Prime Minister when there's something that's gone badly wrong, you know, were they warned about this in advance? If they were warned, and they weighed it all up, and in the end said 'well I'm still going to do that', absolutely fine but, you know, if you had a system which basically said 'Yes Minister', or 'Yes Prime Minister' all the time, and didn't do that challenge, and then suddenly, 'oh my god the policy didn't work, what went wrong there?' and they'd have not been warned, then the Civil Service would have gone wrong. You know, it is our job to do that challenge function.

LH: You were the first Freedom of Information Cabinet Secretary – if I can call it that – because shortly before you came into the job, in January 2005, the Freedom of Information Act went live, and you had to deal with the consequences of that. Now, I don't think you look back on that aspect of the job with excessive pleasure, do you?

LO: Well there are two sides to this. On the one hand... because for me it was quite a paradox. I'm a believer in a lot more openness and transparency, I wanted us to publish a lot more data, to get out there and publish evidence more. The economist in me wanted all of this, and I could see from all the latest ideas in behavioural sciences that actually publishing a lot more, being more transparent, was a really good thing. On the other hand, Freedom of Information created a massive uncertainty at the heart of government because all of the policy advice was subject to this - there were exceptions for policy advice - subject to this caveat about public interest test. And in reality nobody knew whether what you were writing down would eventually be deemed publishable, F-O-I-able as we called it. So it created this uncertainty which led to changes in behaviour. So ministers started to say 'mmm... I'm not sure I want that meeting, thank you very much', and, you know, 'what are we going to write down about this?' and in all of these areas the risk is the records become doctored in advance so that if they are put out there and they're published they don't create any controversy, or whatever. But actually, what you want in Cabinet, for example, is those people that disagree with policy to actually argue their case as openly and clearly as possible and, as Cabinet Secretary, I always wanted the Cabinet minutes to reflect that discussion accurately – and they did during my time – which is why I was quite passionate about trying to keep Cabinet minutes confidential, at least for a period.

LH: I should declare an interest because I was the Information Commissioner's witness at the tribunal on the Iraq Cabinets – the Attorney General's opinion, and...

LO: Yes, and you won, and I lost. [Laughter]

LH: Yes, but the Prime Minister of the day overrode...

LO: ...indeed....

LH: ...as they are allowed to under the Act, yes.

LO: That's right.

LH: So I should be honest about that. We were on different sides. Do you think on that instance, because I... my argument, not that it's relevant to this interview, was that the public interest was so overwhelming in that case – peace and war. But do you think...

LO: ...and I think it was the system working, you know, it was... I was putting the case that I was worried that this would create a precedent which would mean future Cabinet minutes on all sorts of other subjects might have been made public and no one would really know and if Cabinet minutes on something very sensitive became public, well why wouldn't you publish anything? So there were issues both ways, and you argued your case and then, as the legislation allows, the Cabinet decided to veto.

LH: To override, yes. So you think FOI has had a chilling effect, and I think you've used that phrase?

LO: Yes, most certainly FOI has had a chilling effect in terms of... I think you see it now there are probably more conversations on mobile phones. It's been offset somewhat by coalition; coalition has led to a resurgence of cabinet government in many ways...

LH: It also means they leak like mad, 'not me gov', in the coalition don't they?

LO: Ah...

LH: I mean there's a budget in recent memory where hardly anything hadn't leaked by the week before. You must have been horrified!

LO: I was horrified. But in a sense that's... We shouldn't... We need to separate out these two affects. One is having proper governance structures, so you have proper Cabinet Committees, and coalition obviously with the requirement of Chair from one party, Deputy from the other, meant a lot better structure, a lot better argument, these things were thought through more, and you got them – to use a word that I coined for this – 'coalitionised', so you wouldn't get the coalition falling out about them which is important. On the other hand, of course, yes if they start disagreeing with each other and they start doing it publicly then you get a lot of leaks, which damages the whole thing. So, I think the important thing there is to say, 'don't leak!'

LH: You were the sort of leading marriage guidance councillor for the coalition, weren't you, in your last months in the job?

LO: I was... I think that's been exaggerated. Facilitator is all I would say, and I think what I did with help from you, and many others, was to actually lay out as far as one could what were the rules of this kind of procedure. I mean, unclear parliaments are quite difficult for us so with a hung parliament it was, well, how are you going to sort out what happens next... and of course there can be a lot of false stories around, as to, 'oh well, such-and-such. Well the Prime Minister must resign immediately' or, 'the Prime Minister

must not resign'. It was important to establish what the conventions were, what the rules were, to ensure the Queen remained above politics, I think those things were important, and then to let the political parties get on with it. So it wasn't a question of me attempting to bring about any particular result. It was a question of letting the political parties get together, in what ever form they wanted, and for them to resolve the issue, because that's the way it should be in a democracy.

LH: Adapting to the working styles and methods of Prime Ministers is obviously crucial to being Cabinet Secretary, and you had three very different Prime Ministers: Tony Blair, Gordon Brown, and David Cameron – Robert Armstrong only had one Prime Minister, a primary colours, tremendous figure - but you got through three... got through is a kind of unfortunate word... but you were there when we had three very different Prime Ministers. Could you give me a little cameo, because it would be very useful for the students in the years to come, of the working styles of your three Prime Ministers?

LO: Yes, but just one point first of all, that is very relevant. For example, when Robin Butler was there and Tony Blair came in as Prime Minister what you had was a very, very experienced Cabinet Secretary and a new Prime Minister who hadn't ever had even a junior ministerial job – so that's one kind of relationship. When I came in as Cabinet Secretary for Tony Blair, Tony Blair had been Prime Minister for a number of years and I was a new, green, Cabinet Secretary...

LH: Eight years I think.

LO: Eight years, exactly. So, you know, he'd kind of established the way he was going to do the job of Prime Minister by then, and so you're working with a working style which he had already established and which, after eight years, he wasn't going to change fundamentally. So I wasn't able to say, 'well Prime Minister, how's about we move to having lots of Cabinet committees and...'

LH: You didn't try and, this terrible augur of today, try and nudge him towards being more collective did you?

LO: Um, I think he was beginning to see and it was beginning to emerge that there were disadvantages of that, that some of the issues about... some of the most difficult issues he'd had to deal with, where I think a more formal process might have helped him, but he was very much established in a certain style and you try to accommodate to that style while at the same time also pointing out that there were other ways of doing things. But I think eight years on he wasn't going to fundamentally changed the way he worked. And he was also, of course, a very passionate moderniser, and he wanted to move on, and he wanted public services to be better and more citizen focused, so you needed to find ways of working with him. You know, he was very much into stock takes to determine delivery, you know, were we on track? Had we hit the milestones? All of that. So he had that style of you know, rolling up his sleeves, getting down and saying 'I want to know the street crime numbers for these streets, and come back in a week and tell me precisely how many...' You know, he got very much into detail and was I think somewhat

exasperated by the, 'well, you know, if I don't do it myself, it doesn't happen', and you sometimes hear that. So that was his style. If I think then Gordon Brown, well Gordon was, as it were... On day one, wanted to use Cabinet more, we had a very, very long Cabinet meeting, I think actually in this room, where we discussed detailed constitutional issues at great length.

LH: Why were you in this room?

LO: First Cabinet, he wanted to do something slightly different, so we actually changed the venue...

LH: So you all sat around on these wonderful sofas?

LO: We... No, no, we had a proper table, proper table, very formal.

LH: So he had you up here, how interesting...

LO: ...and so...

LH: It went on and on, because you had to warn him that the hacks outside might think there was some great crisis. Passed him a note didn't you?

LO: Well, we'd asked everybody to read this enormous document which had things like House of Lords reform – it had an enormous number of potential constitutional changes and I think what Gordon Brown wanted to do was signal a more collegiate approach, wanted to listen to everybody's views. So he'd started going round the table, we'd got to about the third person, because there were a lot of big issues and we needed to take their views on all of them...

LH: You had an enormous Cabinet didn't you?

LO: It was a big Cabinet. So I had to pass him a note saying, 'Look, at this rate Prime Minister we're going to be here until midnight', which he then read out to the attached Cabinet, which wasn't quite what I'd intended, but anyway we managed to get through it. So I think the thing for Gordon Brown's time was it was totally dominated by the financial crisis and actually if ever there was a man for the moment you'd want a man who had spent his time being Chancellor for all of his Cabinet career and then moving into the job when what we really needed was someone who could understand the nature of the financial crisis. And he played a leading role in the G20 summit, in bringing that together, and corralling world leaders in a way that played to his strengths of, you know, really forcefully saying, 'we really need to do something, and we need to do it quickly'. That speed you learn in the Treasury because financial markets move like that was really important in those days. So he was very focused and very driven by the economic side. And then when it came to the coalition, David Cameron was someone who you could see was used to managing... managed a very difficult start. You know, he didn't get an overall majority, and some in his party were thinking, 'why can't we rule on our own?'

and of course his Cabinet... He had to find room in his Cabinet for some... six Liberal Democrat ministers and so disappoint some of the people that had been with him all the days who thought that they would be in the Cabinet. So it was a very difficult place to start and, of course, there was no history of coalition so the fact that he and the Deputy Prime Minister made things work and got on, and they weren't the lowest common denominator. You know, they actually got together and said, 'right, there's a big deficit problem, let's have a spending review, let's embark on some big, radical changes, in welfare, in health, in transport, in education.' You know, I think it contradicted what a lot of people thought would be coalition, which would be, 'oh, it's mushy, they're not going to do very much, you know, they won't be able to do anything'. We've seen with this government that you could criticise them for many things, but actually you couldn't criticise them for lack of action.

LH: Sort of follow up to those three Prime Ministers, is there one or two... are there one or two indispensable characteristics that all Prime Ministers have got to have, what ever party, what ever the circumstance, how ever long they have waited for the job, how every great or little their experience before they come through that door?

LO: Yes, the one thing I'd say, more than any other, which nobody really mentions is physical fitness. It's a very demanding job and if you are not physically fit you will suffer. And fortunately, I had in Tony Blair, Gordon Brown, and David Cameron, three people who actually did care a lot about their fitness, were, you know... all took exercise and realised this was important. Because you need them to function, you know, European Councils, they delight in waiting till the last hour, then going on two or three more hours, and then trying to get to a final deal and you need a really good negotiator in there who is right on top of the job, and I think British Prime Ministers excel in that. I saw it all the way through from John Major, who... who really did do all of his work on Europe and was better prepared and briefed than any of his other EU counterparts.

LH: And is there another thing they need?

LO: I'd say they need a bit of a thick skin because Prime Ministers are praised and blamed and they need to, you know, I think it's that thing at Wimbledon, you know, you treat both those impostors just the same...

LH: Kipling...

LO: ...it was Kipling, exactly...

LH: Taught them how to Kipple.

LO: They... they should go to centre court, see that phrase, and just say, 'right I am not going to let myself get deflected from my course by everyday events'. You know...

LH: Some of your Prime Ministers had thicker skins than others...

LO: That's always the way, but the key thing is having that strategic vision, thinking about what's right for the country in the long term and just sticking to your guns on those things. That's what makes a great Prime Minister.

LH: Can I ask you about the organisation of government at the centre. We academics and our students have lived off this great debate about whether the Cabinet Secretary's job should be tied in with the Home Civil Service or not, whether we should have a Prime Minister's Department – all sorts of things – and the organisation of the centre has vexed everybody, and of course it reflects what Prime Ministers of the day want. Do you think there is a model that works better than the others?

LO: Well, I think we need to realise that globalisation has meant that heads of state in government have to do more. There are more issues that are handled at the international level now. Take things like climate change, take things like financial regulation, and dealing with crises, these things, they go across borders very quickly and you need international solutions, and our international machinery isn't very good. The international machinery for climate change I'd say is completely broken. We have some that were left – the Bretton Twins, the IMF, the World Bank – after the Second World War, but again they don't reflect the economic realities of today. You know, the weight that countries like China, Korea, have is too small. So, in the absence of that, international organisations working effectively, individual heads of government have to come together and solve those problems. If you're going to do that a Prime Minister needs to be able to manage that set of issues so you do need quite a strong centre, and I think we are one of the smallest centres if you look...

LH: Even now?

LO: Even now. When you look at the size of the Élysée, sorry of the ...

LH: White House?

LO: The White House... You know, it is... We are tiny compared to most others. So you do need a strong centre, you need lots of expertise, and you need a mix of political and civil service skills, I would say.

LH: Do you think we have Prime Minister's department but dare not speak its name because of old traditionalist fuss pots like me and one or two certain select committees that might get in a strop about it?

LO: I've never got too excited about that one way or the other. It's the Cabinet Office, Number Ten is part of the Cabinet Office. The two work together...

LH: So they're fused?

LO: They're fused, if you like, yea.

LH: So it is a Prime Minister's department then?

LO: It's a Cabinet Office which has within it a Prime Minister's department and has to manage the Prime Minister and Cabinet.

LH: Very tactfully put.

LO: Thank you.

LH: Going back into the more granular bits of the job of the Cabinet Secretary, do you think it's a good idea for the Cabinet Secretary to be the accounting officer for the Single Intelligence Account (I think it's called these days), in other words overseeing the budget of the secret world because that job has come in and out of the Cabinet Secretary's office but now we have a National Security Advisor, but I think you were the last one to have it?

LO: I had it. It was partly a combination of circumstance – whether you have an individual at the time who could be the right person for it. I felt that it was important for the Cabinet Secretary to have an understanding of what was going on in the intelligence world. I think post-9/11 terrorism was such a big issue for the UK, post-7/7 for us, of course, and as Cabinet Secretary you needed to be able to advise Prime Ministers on that set of issues as well. Now, given my experience with the National Security Council and having a National Security Advisor, I think that has worked extremely well and I think I would be of the view that if you've got a really experienced National Security Advisor and they work closely with the Cabinet Secretary and when, of course, in my time I had the National Security Advisor living right beside me that, in Peter Ricketts, that worked incredibly well.

LH: It has the whiff of permanence about it, the National Security Council, the National Security Advisor and organisation, doesn't it?

LO: I hope so, I think its one of those innovations that has worked very well and I hope it will be there across any change of administration.

LH: And you're unusual, and I think it's only happened once, that while you were Cabinet Secretary the Prime Minister had his own Permanent Secretary in Jeremy Heywood, because normally it's a very senior figure who is Principal Private Secretary, but having double-headed Permanent Secretaries is a bit odd, isn't it?

LO: It was slightly odd. I think it was partly the fact that Jeremy had been outside doing some time in the private sector, learning about the private sector, and was a very experienced civil servant, very, very good at advising the Prime Minister and, of course, Prime Ministers quite often want someone twenty-four hours a day, seven days a week and if you're Cabinet Secretary actually its quite important that you don't fall into doing that because actually you need to stand back, look at the bigger picture. There are plenty

of things that are really important that the Cabinet Secretaries do that don't have anything to do with the Prime Minister actually...

LH: Like being head of the Home Civil Service?

LO: Exactly. Yea. So, there are plenty of things that you have to go away and do, so having someone who can be there by the Prime Minister's side... As long as the co-ordination is absolutely... the co-ordination between the person doing that job and the Cabinet Secretary is absolutely vital and, of course...

LH: Just as well you got on with Jeremy then, isn't it?

LO: Well, the kind-of untold secret, of course, was that every morning we drove in together and actually sorted out, so at that time...

LH: ...fixed the country on your way in.

LO: Well, Jeremy could tell me about the issues of the day that were coming up and I could say, 'well what I'm worried about is this, this and this' somewhat longer term, and we would make sure that the two fitted together, so...

LH: So you're trickling in from South London just fixing the world, and the country?

LO: We were doing our best, but as mandarins, you know, trying to ensure that we had an efficient form of government.

LH: Do you think it's a good idea that the headship of the Civil Service should normally be allied to that of the Cabinet Secretary post?

LO: Well during the post Second World War period we've had both models. And I think both can work. I think at the moment when you have a coalition government and there are lots and lots of changes going on with the Civil Service – it's a difficult time for the Civil Service with pay restraint, the cuts, and all the rest of it – having the two separated makes a lot of sense and I think they are doing the jobs incredibly well. Is this a model forever? No, I think if we got back to a world where we didn't have coalition and we're hopefully in a world where the deficit is more under control - maybe even gone, who knows - then I think you could get to a world where you reunify the jobs.

LH: If I was a new Prime Minister and I said 'Gus, here's a blank piece of paper. Forget about the past, organise the centre for me', how would you do it?

LO: I'd have this big behavioural insight team, which we already got but I'd make it much bigger. I'd have a National Security Council. I would have the things... Actually quite a lot of the efficiency staff I'd probably put it in the Treasury, I think that's the right place for most of the efficiency and reform world, I'd have Treasury overlooking that.

And, I would have in Number Ten a big strategy unit and something to keep an eye on implementation. Those would be my main features.

LH: So, this place would be the strategic bit, the Treasury would do all the gritty stuff.

LO: Exactly. Yes.

LH: And you'd have a Cabinet Secretary on top of it all?

LO: Yes.

LH: Yea, very interesting. You've become an expert in exits and continuity. We've already talked a bit about hung parliament contingency and so on, but the emotional geography of all of this is fascinating – when a Prime Minister leaves and people get all tearful and the rest of it, clap in a new Prime Minister if they've won the election, but not if they haven't, and all this – there's a choreography to these exits and entries, and you've had to do two of them. How do you cope with all that, because people are in a high state of emotion and if it's after a general election, particularly if you've had five days of negotiation, everyone's a bit frazzled, the nerve ends are all raw?

LO: Well there are two kinds of changes. As you rightly said I've had two examples of change of Prime Minister within the same party, so not at the time of a general election – when John Major took over from Margaret Thatcher, and Gordon Brown took over from Tony Blair. And you're right, the thing that people underestimate and usually forget about is the emotional side of this. People have worked very closely for the outgoing Prime Minister and you need to understand that those links are very strong and that Prime Minister is being, if you like, ejected without the public having had their say in a general election. So it's a difficult period and you need to understand and manage people emotionally. And then of course there is the practicalities that a new Prime Minister wants to make their mark and they are, by definition, different, and the fact that there's been a change of Prime Minister means there has been some form of traumatic event of some kind, you know, I think with Margaret Thatcher and everything was going on there. So the party have decided they want a change and you've got to try and manage that process, and there will always be the people who think there never should have been a change, so you've got a slightly divided party there that you are trying, as it were, to unite as a government to ensure they get on effectively and possibly change some of the predecessor's policies, which you know is difficult.

LH: You also had the job of briefing them into the world that is hyper-sensitive which you can never really talk about in detail, which is the intelligence side and also the nuclear weapon side because it all falls to them, and Cabinet Secretaries have to manage all of that too don't they, which is quite tricky because I've always thought that that's when Prime Ministers realise they are Prime Ministers, when you do the old briefing on the nuclear retaliation system, I mean, mercifully it only falls to Prime Ministers doesn't it.

LO: Indeed, and it's those sorts of issues very early on, you know some of things that aren't public, that they haven't known about, you have to tell them, 'look, there is this...' you know, for example, '...ongoing terrorist plot that we're monitoring and we're worried about'. You know, it's a big burden of responsibility and Prime Ministers have to make some really important key judgements and you have to help them in that process but in the end they have to make them.

LH: The Cabinet Manual will always be - I would think that is a permanent fixture now - the British constitution, its moving parts as seen by the executive in relation to - it's not a written constitution by any means - but it's something we've never had before and, you've already talked about the bit that was done first ready for the possibility of a hung parliament, which turned out to be pretty crucial, but it seems to me on that bit of the Cabinet Manual, the hung parliament circumstance, it still all depends on what an old Cabinet Office hand, Clive Priestley, used to call the 'good chap theory of government', whereby good chaps of both sexes, everybody involved, has to know not to push it too far, where the unwritten rules are and where the lines in the sand aren't even visible. And, if in the fraught circumstances of a hung parliament, when somebody might lose power or not get it, perhaps never, all sorts of strange things can be claimed. And without that bit of paper last time round in the television studios those of us who like to impersonate the constitution would have been in real trouble, as indeed you would have been as well, but it does depend on them actually not pushing it too far. It would only take one of them to behave like a cad - to use an old-fashioned word - and break the good chap theory and you would be stuffed, wouldn't you Gus, despite having the Cabinet Manual... on how to behave?

LO: Well, I think all you can do is prepare and I think this is one of those classic things where preparations in peace time, as it were, help you out during the war. You get everybody quietly round a table when this is just a theoretical possibility and say, 'well, you know, in the event this were to happen, how should we all behave? What should we do? And, let's try and lay down some conventions, some guidelines, all those sorts of things...'

LH: Which we did in ninety minutes in your office.

LO: ...which we... you know, there was a lot of work behind the scenes... [chuckles]

LH: No, I know...

LO: I can safely say, and Gordon Brown had started the whole process off so we got through that and I think that was very useful. But it's not an answer to all possible questions. As you rightly say, I imagine that if you're sitting down in Italy now, even if you had a Cabinet Manual it's going to be pretty tough for them to...

LH: I should say we're talking just as the Grellini (as I think we've got to call them), these rather strange people that have acquired a large number of seats in the Senate in the Assembly in Rome.

LO: I think it's fair to say it makes the situation we had after our election look pretty straightforward.

LH: The National Security Council we've talked about, it was a considerable innovation -for historians it's the old Committee of Imperial Defence by another name - but even so it's very important. Do you think that could be a model for other aspects of cabinet government because it has its own rhythm of papers, agendas and minutes, in a classic way, and it's changed the intelligence feed as much the tasking body now of intelligence, and Michael Heseltine is very keen on a National Growth Council, with the Prime Minister chairing, so do you think it is a model that could be used across the cabinet system?

LO: I do, and the reason I think the innovation that's in it is the fact that around that table is the senior ministers, but you've also got the so-called experts – heads of the agencies, heads of the... armed forces.

LH: ...agencies, forces...

LO: Exactly. So you've got a mixture of officials and ministers, politics and civil servants, all working together to try and solve problems. And I think we've developed a system which has lots of meetings of civil servants, and then papers prepared that go to a meeting just of politicians, and there's obviously a case for something like Cabinet clearly being about the ultimate body for politicians, but I think along the way we could get a lot more done, and it was certainly done during the National Economic Council when Gordon Brown was Prime Minister, of having officials, ministers, around the table grappling with an immediate problem – you know, the recession – and also that we bring in outsiders, outside experts, who would say what's going on out in the world, who would give you specifics about what the problem was about banks and lending to small businesses, or what specific problems individuals were facing in terms of poverty, you know, the Citizens Advice Bureau, head of that, would come in. And so you get external experts as well. So you get all the experts round the table, and I think David Cameron as Prime Minister used to say what he really liked was having all the experts lay out what they knew, the evidence, the discussion, and be cross-questioned, and then the politicians have the discussion about, 'OK, in the light of all of that, we've heard all this advice, what are we going to decide?' And then as well thinking about, 'OK well now we've decided something, how do we present it? What are the issues? Where do we go next? What are the things we want these officials to go off and find out more about? Give us more evidence.' So I think that system works well, and could be used much more widely.

LH: Did you ever think of resigning?

LO: No, I am pleased to say I never got put in a situation where I thought, 'This is a resigning matter'.

LH: What would be a resigning matter for you? It won't arise now, you're safe, you can tell me.

LO: Yea, it's not going to happen. I think if there had been something which tried to... An issue which involved me breaking the Civil Service values, the honesty, objectivity, integrity, impartiality...

LH: If someone had tried to politicise you?

LO: Yes, exactly. If someone had asked, 'we want you to manage this process because it is going to help party A beat party B.' But that's never... I stress, no Prime Minister, no minister, has ever got even close to asking me to do anything like that.

LH: What will be the last thing about the job of being Cabinet Secretary that will cling to the velcro of your memory when you're in your last years thinking back?

LO: I think that the point you said about the emotion of the clapping in and clapping out, and seeing the Downing Street staff come together and clap people in. And, it might be clapping in a new Prime Minister, or clapping out an old one, or it might be... I remember vividly clapping in Michelle and Barack Obama when they... he became President and came over - those moments of theatre. I remember David Cameron coming in and I've got a photo of him going, 'oh, what have I let myself in for?' Those are fantastic moments. And the other... I suppose my biggest visual memory is standing – actually it was when I was Press Secretary to John Major – standing on the steps of Downing Street with the Christmas Tree there, and the first announcement of the first ceasefire in Northern Ireland. That, to me, was just something amazing and all the politicians involved in that deserve enormous credit because it was the start of bringing peace to the United Kingdom.

LH: Gus, thank you very much.

LO: You're welcome.