



# THE CIVIL SERVICE

## Continuity and Change







# THE CIVIL SERVICE

## Continuity and Change

PRESENTED TO PARLIAMENT BY THE PRIME MINISTER,  
THE CHANCELLOR OF THE EXCHEQUER,  
AND THE CHANCELLOR OF THE DUCHY OF LANCASTER  
BY COMMAND OF HER MAJESTY, JULY 1994



## **CONTENTS**

---

CHAPTER 1: <b>INTRODUCTION AND SUMMARY</b>	Page 1
CHAPTER 2: <b>CONTINUITY AND CHANGE IN THE CIVIL SERVICE</b>	6
CHAPTER 3: <b>A FURTHER IMPROVEMENT IN PERFORMANCE</b>	19
CHAPTER 4: <b>A CIVIL SERVICE WHICH MEETS THE CHALLENGE</b>	31
CHAPTER 5: <b>CONCLUSION</b>	46



1.1 For many years the British Civil Service has had a high reputation, nationally and internationally, for its standards of integrity, impartiality and loyal service to the Government of the day. In addition, in recent years, it has carried through a wide range of reforms to improve its efficiency, effectiveness and quality of service to the public. New organisational structures and management techniques have been introduced. Staff are more skilled and better trained. A more outward-looking approach, with greater concern for service users, has been adopted. The private sector is increasingly involved in the provision of services to and on behalf of Government. The Government recognises the commitment that departments, agencies and their staff at all levels have shown in bringing about these changes.

1.2 This White Paper sets out the Government's conclusions on further improving Civil Service performance. Its main themes are summarised below.

**Continuity and Change  
in the Civil Service**

1.3 The Government, like its predecessors, is wholeheartedly committed to sustaining the key principles on which the British Civil Service is based: integrity, political impartiality, objectivity, selection and promotion on merit and accountability through Ministers to Parliament. They are as important to good government in the future as they have been in the past.

- The Civil Service continues to have a crucial role to play both in policy work in support of departmental Ministers and collective decision making, and in the delivery of a wide range of public services.
- The challenge set by the Citizen's Charter is to provide public services of the quality citizens deserve at a price taxpayers can afford.
- Since the Fulton Report in 1968 the Civil Service has been responding to the need to develop more professional approaches to management. In recent years, it has embarked on a period of rapid change with:
  - the separation of the role of Government in policy making and the purchasing of goods and services from that of the provision of such services;

- new approaches to the delivery of high quality and responsive services and the injection of more competition and choice into service provision; and
  - the restructuring of the Civil Service with the creation of executive agencies within Government, which is also leading to changed roles for those at the centres of departments. A key task for the mid-1990s is to complete this programme to which the Government remains fully committed.
- These and other changes have introduced much more transparency into the work of Government, within the constitutional principle that it is Ministers who are accountable to Parliament for all that their departments (including agencies) do.
  - While much more management responsibility has been delegated to departments and agencies, the defining principles and standards of the Civil Service will continue to be centrally prescribed and mandatory for all departments and agencies.

**A Further Improvement in Performance**

1.4 While much has been achieved in bringing about change, the Government believes there is considerable potential for further improvement in both quality of service, within what can be afforded, and in efficiency.

- The Government believes that delegation of further management flexibility is the key to improved performance, within the framework of clear standards of service and output targets under the Citizen's Charter and continued tight control of the costs of running the Civil Service.
- Departments and agencies will be given further freedoms to make use of a range of management techniques and approaches tailored to their particular circumstances, based on better management information systems and, in the longer term, the introduction of resource accounting and budgeting, which is the subject of a separate Green Paper. These freedoms include:
  - the continued exploitation of the benefits of competition through the privatisation and Competing for Quality programmes, but with less detailed central oversight. In future, departments and agencies will prepare broader efficiency plans which will make full use of these and other approaches in ways which best suit their own circumstances;
  - the proposed further delegation of responsibility for pay and grading below senior levels to all departments and agencies by 1 April 1996;
  - giving departments responsibility for their own management structures so that these can be matched to their own particular needs.



- The size of the Civil Service continues to fall, with a reduction of 32,000 since January 1993. Numbers are at the lowest level since the Second World War. This trend can be expected to continue, with numbers falling significantly below 500,000. The Government intends that these changes should wherever possible be achieved by not replacing staff as they leave or retire and by voluntary early departures.

### **A Civil Service that Meets the Challenge**

1.5 To improve policy making, management and service delivery, the Civil Service needs to increase its focus on performance and on developing all its staff. Much progress has already been made or is in train including through Investors in People. Success will depend on the commitment of all staff. The Civil Service must also continue to be led by a highly professional group of senior managers, with the mix of skills needed for the particular tasks of government in the years ahead. The Government has, therefore, given careful consideration to the Efficiency Unit's report on Career Management and Succession Planning. The Government accepts the Efficiency Unit's main recommendations. In addition, it proposes further changes to enhance the future effectiveness of the Senior Civil Service. The combined proposals are:

- The Senior Civil Service should continue both to serve collective decision-making and to fulfil each department's responsibilities. The Government proposes the creation of a new senior management group, including all Agency Chief Executives and others with substantial management and policy responsibilities: broadly the range of responsibilities currently at Grade 5 and above.
- Each department is to review its senior management structure with a view to reducing layers of management where possible.
- Departments and agencies will always consider advertising openly posts at these levels when a vacancy occurs, and then will use open competition wherever it is necessary and justifiable in the interests of providing a strong field or of introducing new blood. The Government intends to continue to offer staff the opportunity to develop and demonstrate their suitability for the most senior positions. It expects that most of the top Civil Service posts will continue to be filled by those with substantial previous experience within the Service. Appointments will continue to be made on merit, through fair and open competition overseen by the Civil Service Commissioners, and candidates from within the Civil Service will be considered in the same way as others.
- The Civil Service should continue to recruit its share of the most talented graduates through revised central graduate recruitment arrangements. More effective management development schemes, including more interchange, within and outside the Civil Service, are needed to develop expertise and

to give all staff the opportunity to compete for the most senior positions.

- The Government proposes that members of the new Senior Civil Service should be on explicit, written employment contracts. One form of contract should cover the great majority of circumstances - employment for an indefinite term, but with specified periods of notice. Fixed term and rolling contracts would be used in appropriate circumstances.
- A more flexible pay system is needed for the Senior Civil Service which takes account of changes in responsibility and job security. A new single pay range is proposed for all Permanent Secretaries. For posts in the Senior Civil Service below Permanent Secretary level, the Government has in mind a number of overlapping pay ranges, broadly linked to levels of responsibility, with progress within them linked to performance, and a greater measure of departmental discretion.

**Coverage** 1.6 The proposals in this White Paper apply to the Home Civil Service. The Northern Ireland Civil Service (NICS) is a separate Civil Service. However, the principles underlying the proposals apply with equal force to the NICS and the Secretary of State for Northern Ireland will be considering how, and the extent to which, they might be implemented in the particular circumstances of the NICS.

1.7 The Diplomatic Service is a separate branch of the public service with its own particular needs and structure. The Secretary of State for Foreign and Commonwealth Affairs will be putting parallel action in hand to cover the areas considered in the White Paper.

**Consultation** 1.8 The House of Commons Select Committee on the Treasury and Civil Service is also currently studying the implications of recent developments for the Civil Service. It is examining a wide range of matters, including the case for and against a Civil Service Act and new mechanisms to protect standards of conduct and propriety in the Civil Service. The Government looks forward to considering the Select Committee's conclusions on these and other matters. In the same spirit, the Government recognises that the Civil Service is not the property of any single Administration but will continue to serve Governments of whatever party. It will welcome the comments of the Select Committee, Opposition parties, civil servants themselves and their representatives, and others on its proposals for changes in organisation, management and terms of service, particularly those set out in Chapter 4 of the White Paper.

1.9 Comments on the White Paper should be sent to:

Graham Davies  
Cabinet Office (OPSS)  
Horse Guards Road  
LONDON  
SW1P 3AL

by 15 November 1994. The Government may be asked to make publicly available comments by organisations and individuals. It would be helpful if respondents could indicate clearly if they wish their comments to remain confidential.

## CHAPTER TWO: **CONTINUITY AND CHANGE IN THE CIVIL SERVICE**

---

Lord Callaghan:

**“The Civil Service really is a bulwark of the constitution. One only has to go to any other country and to see what happens when the Civil Service is not a bulwark, when it does not have the traditions of our Civil Service.”<sup>1</sup>**

Lady Thatcher:

**“The sheer professionalism of the British Civil Service, which allows governments to come and go with a minimum of dislocation and a maximum of efficiency, is something other countries with different systems have every cause to envy.”<sup>2</sup>**

John Major:

**“ I am a very firm believer in the need for a high quality, impartial Civil Service. And I know from my personal experience that that is what this country has. I am determined to keep it so.”<sup>3</sup>**

2.1 For many years the British Civil Service has had a high reputation, nationally and internationally, for its standards of integrity, impartiality and loyal service to the Government of the day. Now it is admired not only for those qualities but also for the effectiveness with which it has carried through recent reforms.

### **The Role and Functions of the Civil Service**

2.2 Civil servants are servants of the Crown. In today's world, the executive responsibilities of the Crown are carried out by the elected Government of the day. The Civil Service serves that Government, irrespective of its political complexion. This Government, like its predecessors, believes that a permanent Civil Service, up to and including the highest levels, has considerable advantages for effective and efficient administration. It provides continuity through changes of government; and the Government believes that the need for Ministers to test proposals and prospective initiatives with a permanent Civil Service committed to providing politically impartial, objective advice is likely to produce better government. Successive Governments have paid tribute to the service it has provided and have taken care that the Civil Service should maintain its impartiality and its ability to command the confidence of successive administrations. The Government is fully committed to maintaining this approach.

---

*1 Oral evidence to the Treasury and Civil Service Committee, 25 May 1993*

*2 The Downing Street Years, by Margaret Thatcher, published by HarperCollins Publishers Limited.*

*ISBN 0 00 2550490*

*3 Speech, 4 February 1994*

2.3 The two principal roles of the Civil Service are support for Ministers on policy matters and the management and provision of public services. These roles are not, of course, wholly distinct. Many civil servants contribute to both; and the interaction between policy and service provision is vital. But they can usefully be described separately.

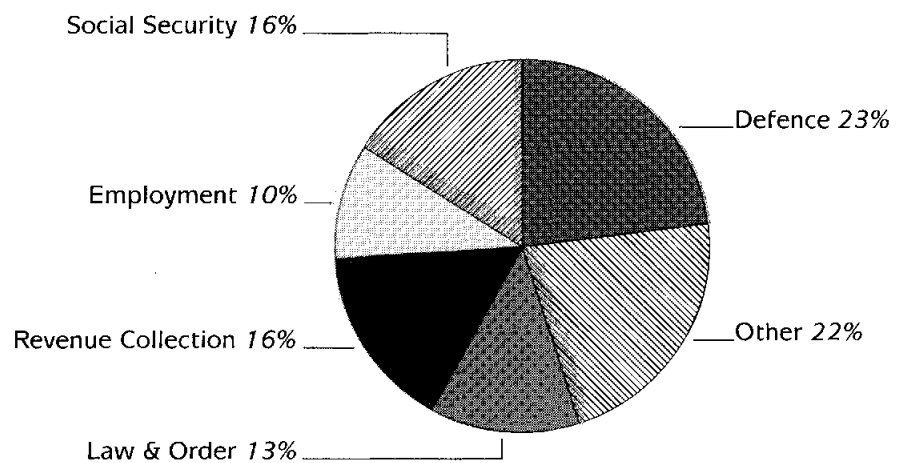
2.4 On policy matters, the Civil Service is responsible for advising Ministers on policy options and ensuring the implementation of Ministers' decisions. Ministers must decide on policy issues - and are accountable to Parliament and the public for them. But they expect civil servants to be expert in areas of administration and keep them under review; to analyse and evaluate the options for new approaches; and to provide them with thorough and objective advice on the implications, costs and benefits of alternative courses of action. Civil servants provide Ministers with background information, advice on handling and their assessment of the consequences of policy options, based on their own knowledge of the issues, including the legal and Parliamentary framework, input from Ministers themselves, internal or external research, consultation with individuals, organisations and groups with relevant expertise or who may be affected and overseas or other relevant experience. Civil servants also support Ministers in explaining Government policy. They prepare drafts and advice for Ministers' use, and - in the case of more senior staff - often represent their department or agency in external discussions with individual members of the public, representatives of interest groups and those directly affected by policy changes, overseas Governments and by appearing before Parliamentary Select Committees. Civil servants will feed back comments made or concerns raised to the Minister responsible. Once Ministers have decided on the direction of Government policy, civil servants are involved in its implementation, at the detailed level of preparing and assisting with the handling of any necessary legislation, in working with others in the public and private sectors to put policy into practice, and in monitoring and evaluating the effectiveness of policy.

2.5 Policy work of various kinds and the other activities of departmental headquarters are the primary responsibility of around ten per cent of the Civil Service. This is work of the highest importance, of great variety, and extremely challenging in terms of the analytical, representational and other skills needed. It requires the Civil Service to recruit and retain people of the highest calibre in the country.

2.6 Outside the policy area, the Government relies upon the high standards of integrity, fairness and confidentiality of the Civil Service, upon civil servants' commitment to service for every citizen and to economy and efficiency on behalf of the taxpayer, and upon the Civil Service's flexibility and sensitivity to changes in Government policy in handling some of the largest managerial and service delivery tasks in the economy. Civil servants' responsibilities lie in two main areas - the management of the wide range of public services which are the direct

responsibility of central government, and the provision of many of those services direct to the public. These services vary from the payment of social security benefits to day-to-day support for Her Majesty's forces, from tax collection to driver and vehicle testing. They include specialised - often exciting - tasks such as HM Customs and Excise's part in the fight against illegal drug trafficking; the administration of overseas aid, sometimes in dangerous parts of the world; and investigative science, such as the Forensic Science Service's provision of vital evidence for criminal investigations, or the expert help the Defence Research Agency gave in the Lockerbie investigation.

**Civil Service staff by function**  
(based on staff in post at 1 April 1994)



### Key Principles

2.7 The importance of the Civil Service as a coherent entity, rather than simply the sum of the staff in individual departments performing specific roles, has been recognised for more than 150 years. Many of the key principles underlying the modern Civil Service were set out in the Northcote-Trevelyan Report of 1853 which "asserted that, as matters now stand, the Government of the country could not be carried out without the aid of an efficient body of permanent officers...". The Report set out the principles which should underlie that efficient body. The present Head of the Home Civil Service has recently set out the key principles which remain no less important for the Civil Service of the future:

**"The particular standards that bind the Civil Service together are integrity, impartiality, objectivity, selection and promotion on merit and accountability through Ministers to Parliament."**<sup>4</sup>

2.8 The Civil Service in the United Kingdom has a long tradition of non-political appointments and the Government is committed to continuing this system. The Northcote-Trevelyan Report first established that appointments should be made on the basis of merit

<sup>4</sup> Sir Robin Butler: Oral Evidence to the Treasury and Civil Service Committee, 26 April 1994.

rather than patronage and the Civil Service Commissioners were appointed to oversee fair and open competition and selection on merit. Although they no longer manage the great bulk of recruitment into the Service, the Commissioners' role remains crucial both in direct oversight of senior recruitment and in monitoring other recruitment undertaken by departments and agencies.

2.9 The Head of the Home Civil Service has commissioned an internal review of the respective responsibilities of the Commissioners and Government Departments in the light of experience since further recruitment responsibility was delegated to departments and the Recruitment and Assessment Services Agency set up in 1991. The review team have made a number of recommendations designed to reinforce the principles of openness, fairness and merit in recruitment and to clarify responsibilities for ensuring that these principles are properly and effectively applied. They propose, for example, that the Commissioners should be responsible for interpreting those principles in respect of all Civil Service recruitment, and not just in respect of relatively senior recruitment as at present. The report of the review team, which the Government welcomes, is being published at the same time as this White Paper and comments on it are being invited.

2.10 With the gradual development of Cabinet government throughout the last century, civil servants had a growing role in underpinning the collective decision-making process. This was fully recognised after the First World War by the formation of the Cabinet Office, committed to serving the Government as a whole. The way in which policy making is co-ordinated in the United Kingdom is rightly envied overseas, and the Government recognises the importance of the underpinning integration of policy provided by the Civil Service. This, of course, applies much more widely than the role of the Cabinet Office in co-ordinating policy advice or of the Treasury in respect of public expenditure control. It is just as important that civil servants work closely together in service provision or enforcement of the law, to ensure that individual members of the public receive high quality service. For example, the Benefits Agency and the Employment Service have worked closely together for many years and will do so on the arrangements for the new Jobseekers' Allowance, to provide, as far as possible, a 'one-stop shop' for jobseekers; and the Government Offices for the Regions, which were established in April, bring together four departments and provide links to others to give businesses and citizens a co-ordinated service.

2.11 At the same time, the Civil Service has a role in integrating policy development and service provision. Much service provision is now the responsibility of executive agencies within Government or provided under contract by the private sector. The Civil Service remains responsible, on Ministers' behalf, for ensuring that service provision - whether by civil servants or contractors - meets Ministers' policy objectives, and that the impact of policy changes on service provision is fully considered.

## **Responding to Change**

2.12 The Civil Service has to be flexible and responsive. Not least, changes of administration demand an ability to achieve substantial changes of direction while sustaining existing services. It also has to respond over time to changes in the world at large, which provides the context of its work. Changes in society, in technology, in international relations, in the world economy all have an effect on what the Civil Service is required to do and how it needs to do it. The success of the Civil Service in the last 140 years has been to accommodate change while maintaining its key principles. In the last three decades the rate of change has increased sharply; and the Civil Service has demonstrated its ability to respond effectively.

### ***Pressures for change***

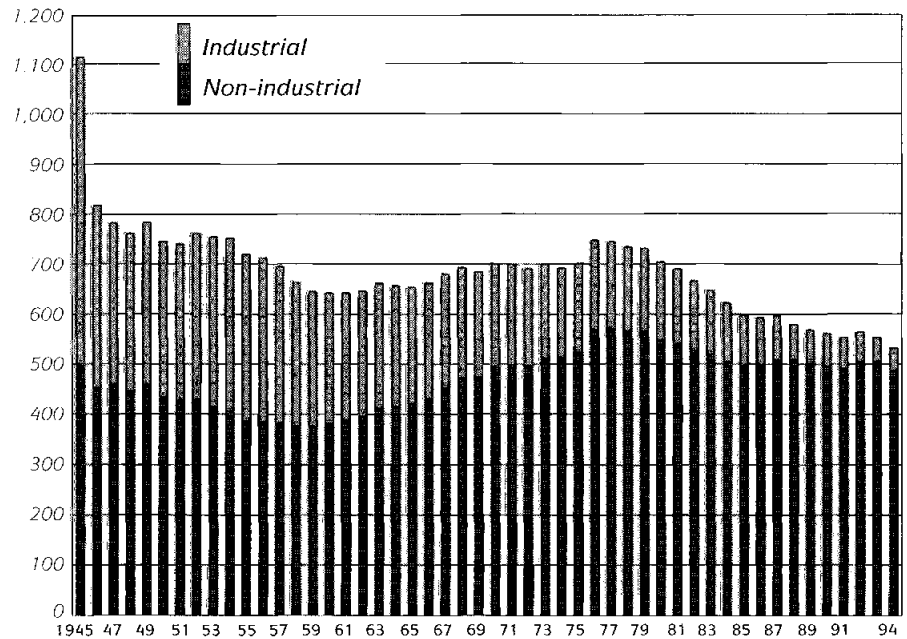
2.13 With the establishment of the Welfare State and a rapid increase in central government functions after the Second World War, the Civil Service expanded from previous peace-time levels of around 100-150,000 to 650-750,000, peaking at 748,000 in 1976. This increase in size reflected a very substantial increase in responsibilities - for example, development of the benefit system and of the Employment Service, and an increase in professional, technical and general civilian support for the armed forces. The United Kingdom's entry into the European Community has generated new requirements on Ministers and civil servants to ensure that the United Kingdom's approach to European issues and prospective European legislation is effectively co-ordinated and that our national interests are safeguarded. People, rightly, want to see standards of service from both public and private sector service providers rise. At the same time, this Government remains strongly committed to effective control over public expenditure. The Civil Service therefore has to deliver public services of the quality citizens deserve at a price taxpayers can afford. It is assisted in this by developments in technology, improvements in management techniques and by the flexibility and changing skills of its staff.

2.14 Since the high point of the mid-1970s, numbers in the Civil Service have fallen steadily, in spite of additions to the functions of central government over the period, such as the creation of the Crown Prosecution Service and the Child Support Agency and increased workload and staff numbers in areas such as the Prison Service. The reduction reflects transfers out of the Civil Service to the private sector and to other public sector organisations such as non-departmental public bodies, productivity improvements and the benefits of information technology. The total at 1 April 1994 was 533,350.



## The change in Civil Service staff numbers since 1945

Thousands as at 1 April each year



### How the Civil Service has developed

2.15 The Civil Service has been changing with increasing momentum since the publication of the Fulton Report in 1968. That Report identified the need for a more professional approach to management and for better use of staff with appropriate skills and training - in essence, clearly defined responsibilities and staff equipped to carry them out. A number of significant changes followed: the creation of what is now the Senior Open Structure - bringing together staff of all disciplines at senior management levels into a single group; the establishment of the Civil Service College in 1970 to provide higher-level training to complement that provided by departments; and more modern methods for recruiting and managing staff, particularly specialists. Fulton highlighted the need to develop accountable management within the Civil Service - a key theme of more recent reforms.

2.16 The Fulton Report also noted that, with the increasing size and responsibilities of the Civil Service, a new focus on Civil Service structures designed to meet the needs of the task and a new focus on serving the community were required. Some changes were made. But by the time Civil Service numbers peaked in 1976, there were growing concerns over how such a large and diverse organisation could best be managed. Over the last 15 years, a series of initiatives has strengthened the management of the Civil Service and made it more responsive to the needs of the users of its services.

### The Financial Management Initiative

2.17 In seeking to clarify management responsibility for expenditure, an early problem recognised by the Government in the early 1980s was the shortage of management information, especially financial

management information, available in departments. The Financial Management Initiative of 1982 was the response. The White Paper "Efficiency and Effectiveness in the Civil Service"<sup>5</sup> set out to provide:

"a system in which managers at all levels have:

- a. a clear view of their objectives; and assess and wherever possible measure outputs or performance in relation to these objectives;
- b. well-defined responsibility for making the best use of their resources including a critical scrutiny of output and value for money;
- c. the information (including particularly about costs), training and access to expert advice which they need to exercise their responsibilities effectively."

2.18 The increasing availability of financial management information which followed provided a sound basis for the development of delegated budgeting and delegated responsibility. This was a long-term project, requiring not only the development of the necessary information base and related systems, but also training in new skills and the willingness to delegate. A concern to ensure that the maximum benefit was derived from these developments led in 1986 to the setting up of an efficiency scrutiny into management across Government as a whole.

### **Next Steps**

2.19 The report of that scrutiny "Improving Management in Government: the Next Steps" has had a major impact on the shape and culture of the Civil Service. It concluded that there were three main priorities for change:

"First: The work of each department must be organised in a way which focuses on the job to be done; the systems and structures must enhance the effective delivery of policies and services.

Second: The management of each department must ensure that their staff have the relevant experience and skills needed to do the tasks that are essential to effective Government.

Third: There must be a real and sustained pressure on and within each department for continuous improvement in the value for money obtained in the delivery of policies and services."

2.20 The Report's recommendations included: "Agencies should be established to carry out the executive functions of Government within

a policy and resources framework set by a department". In identifying the need to create discrete management units as a means to improving management, the Report echoed others' findings. The success of the Next Steps Initiative has been in its effective implementation. The creation of agencies has been one means to the end of improved management, recognising that management change is more easily brought about within discrete identified units, headed by a manager with clear responsibilities, than in a larger, more diverse organisation.

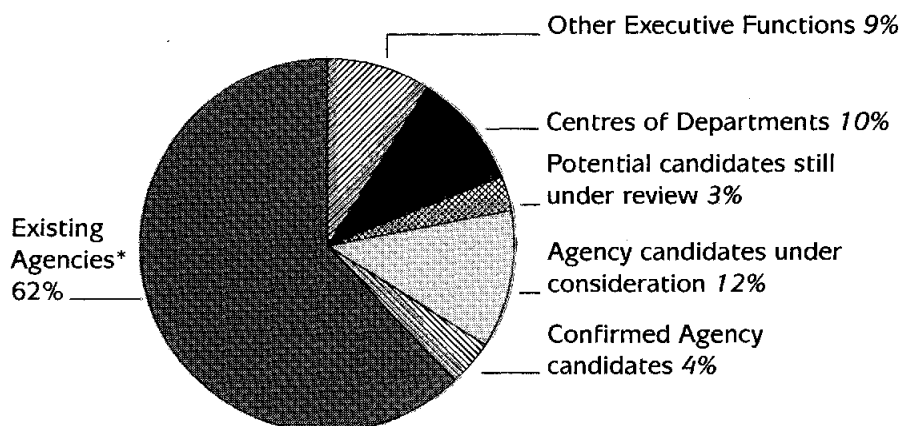
2.21 There are now 97 executive agencies within government, including 8 in the Northern Ireland Civil Service. In the Home Civil Service more than 340,000 civil servants, 64% of the total, are now working on Next Steps lines. The Next Steps process has led to changes in all aspects of the work and management of the Civil Service. These changes include a much stronger focus on performance in relation both to quality of service for the customer and to efficiency; the strengthening of accountability and greater openness; and new approaches to personnel management. A key theme of Next Steps has been the delegation of management responsibility to Agency Chief Executives, enabling management to design organisational structures and processes which match the needs of their particular task. At the same time, the development of a more structured relationship between those at the centres of departments and those in agencies has increasingly focused attention on the nature of headquarters tasks and how they can best be discharged, whether in policy making or the strategic management of agencies.

2.22 As discussed in Chapter Three, the Government believes that there are substantial benefits to be gained by extending many of the principles of Next Steps - maximum clarity about objectives and targets, delegation of management responsibility, a clear focus on outputs and outcomes - throughout the Civil Service. These techniques may be applied to areas engaged in policy work where they will offer benefits. The Government does not, however, envisage extending the formal establishment of agencies into areas of the Civil Service primarily concerned with policy. In these areas, the continued need for close Ministerial involvement in the work and flexibility in organisation and management to meet policy developments agreed by Ministers is not fully compatible with the clear delegation characteristic of agencies. For day-to-day support for Ministers on policy matters, policy divisions on existing lines will continue to be the preferred model, adapted by departments as necessary to deal with changing workloads. As now, for certain areas of policy implementation, project work or particular studies, departments and agencies may choose to establish project teams, often including non-civil servants, with clear responsibilities and targets set by Ministers.

2.23 Over the last six years the Next Steps initiative has fundamentally altered the way in which the Civil Service is managed. A key task for the mid-1990s is to complete this programme.

## The Next Steps Initiative in the Home Civil Service

1 April 1993 figures



\* Includes Inland Revenue and HM Customs and Excise

### The Citizen's Charter

2.24 In 1991 the publication of the Citizen's Charter White Paper<sup>6</sup> indicated an increased determination to put users of public services first. The principles of public service established under the Charter are: standards; information and openness; choice and consultation; courtesy and helpfulness; putting things right; and value for money. The Citizen's Charter remains a cornerstone of Government policy across all public services and the two progress reports<sup>7</sup> which have been published since the initial White Paper show the effect of the initiative and give details of the results.

2.25 Under the Charter, the key is to define the job to be done in terms of outputs and then to work out how best to do it, applying a number of tests with the aim of introducing choice and competition where ever possible. These questions are applied to activities performed by the Civil Service, as elsewhere. The key questions are:

- **Does the job need to be done at all?** The taxpayer should not be funding any unnecessary tasks: resources should be used where they are needed more, or the cost to the taxpayer avoided;
- **If the activity must be carried out, does the Government have to be responsible for it?** Since 1979 the Government has pursued a consistent policy of transferring organisations which no longer need to be owned by Government to the private sector. From the Civil Service, this has enabled the successful sale of major organisations such as the Royal Ordnance Factories. In the last year, examples include PSA Services Building Management, which transferred to the private sector as five regional businesses, following the sale of PSA Projects in 1992, and Forward, the Civil Service catering

<sup>6</sup> Cm 1599

<sup>7</sup> Cm 2101, Cm 2540

organisation. The Government has also announced its intention to transfer to the private sector further organisations such as the Crown Agents, Electrical Equipment Certification Service, Transport Research Laboratory, Laboratory of the Government Chemist and National Engineering Laboratory.

- **Where the Government needs to remain responsible for an activity, does the Government have to carry out the task itself?** By May 1994, an estimated £1.3bn of activities had been examined under the Competing for Quality programme. Annual savings of at least £150m in costs have been achieved, from £750m of the programme, with more expected. Quality improvements have been reported in over a third of the tests recorded in the programme, while in virtually every other case, quality will be maintained at lower cost. In line with Citizen's Charter principles, standards are being specified in contracts and delivery of service is being monitored. As the Government announced in the Citizen's Charter Second Report in March, the Competing for Quality programme has so far led to a reduction of 14,500 Civil Service posts, of which 12,200 were the result of contracting out activities examined under the programme. Some posts were also privatised or abolished as a result of scrutiny under Competing for Quality.
- **Where the job must be carried out within Government is the organisation properly structured and focused on the job to be done?** For the Civil Service, have Next Steps principles of clear accountability and delegation been properly applied so that the organisation can be set clear targets and standards of service each year?

As the next chapter explains, the Charter principles and methods of achieving high quality service delivery are a key part of the framework for further development of the Civil Service.

### **Transparency, Accountability and Openness**

2.26 The Financial Management Initiative, Next Steps and the Citizen's Charter have all promoted greater transparency about what the Civil Service does, what is to be achieved, and who is responsible for achieving it. The emphasis on explicit, monitored and published standards of service, with full information about how services are run, what they cost, how well they perform and who is in charge throws new light into many areas which were formerly obscure to external observers, and sometimes even to those who worked within the Service.

2.27 The effect has been to strengthen accountability to both Parliament and the public, building on the existing framework of Ministerial accountability and the particular responsibilities of Accounting Officers. Clarity is an essential part of Parliament's ability to hold the executive to account. It is also the key to the public's ability to know what the Civil Service is intended to deliver, and to demand action when results do not measure up to standards.

2.28 There is a growing range of circumstances in which civil servants are called on to give a direct account of their work. This includes the direct contacts between Agency Chief Executives and Members of Parliament, the more open style of contact with the public in many government offices, including the use of name badges, and the greatly increased frequency of evidence by civil servants to the Parliamentary Select Committees.

2.29 Reduced anonymity and the increasing scope for individual initiative and personal responsibility are positive developments. They do not, however, undermine the key constitutional principle that it is Ministers who are accountable to Parliament for all that their Departments do, including the work of executive agencies. This principle has been carefully and deliberately preserved in all changes so far and the Government believes that it should continue to be maintained. It is part of a civil servant's constitutional role to explain policy but it is Ministers who must be accountable for it and defend it. Under the Next Steps Initiative, Agency Chief Executives now reply direct to correspondence from Members of Parliament and written Parliamentary Questions (by letters printed in Hansard) but only on matters which are exclusively concerned with the management of their agency or the implementation of policy. Ministers continue to handle all enquiries concerned with policy. Moreover, Agency Chief Executives have no direct accountability to Parliament and MPs retain the right to raise with the relevant Minister any answer from a Chief Executive which they find unsatisfactory.

2.30 The trend to greater transparency in government was reinforced in the White Paper on Open Government<sup>8</sup> published in July 1993. This underlined the Government's commitment to three themes:

- handling information in a way which promotes informed policy making and debate, and efficient service delivery;
- providing timely and accessible information to the citizen to explain Government policies, actions and decisions; and
- restricting access to information only when there are good reasons for doing so.

2.31 The Code of Practice on Access to Government Information announced in the White Paper came into force in April 1994. It provides for the first time both a clear presumption in favour of disclosure of information, subject to specific tests where confidentiality is justifiable, and independent review by the Parliamentary Ombudsman of disputes about the provision of government information. The Government proposes to complement this, subject to Parliamentary approval when a legislative opportunity arises, with statutory rights of access to personal records and to health and safety information held by the public sector.

2.32 There remain, of course, areas of Civil Service work where confidentiality is essential. Many of these relate to the requirements of national security, individual privacy or commercial confidentiality - where the case for continued confidentiality was clearly set out in the White Paper on Open Government. In addition, that White Paper made it clear that civil servants' policy advice to Ministers would remain confidential. This is essential not only to ensure the effectiveness of government decision-making, which relies on frank and sometimes unwelcome advice, but also to safeguard the political neutrality of the Civil Service. Public disclosure and quotation of advice risks eroding the non-political nature of the Civil Service and the confidential relations between Ministers and civil servants.

## **Ethics and Standards**

2.33 The thrust of many of these reforms has been to delegate management responsibility to departments and agencies, and within departments and agencies to individual managers. Consistent with this, the Government has dismantled many unnecessary centrally-determined rules and restrictions. But the Government has recognised the need to ensure that the defining principles and standards of the Civil Service are not relaxed and they continue to be mandatory for all departments and agencies. These standards safeguard a non-political, permanent Civil Service which sets high value on integrity, impartiality and objectivity, which serves loyally the Government of the day - of whatever political persuasion - and which recruits staff on the principles of fair and open competition on the basis of merit.

2.34 These principles are laid down in the Civil Service Order in Council 1991 and in the Civil Service Management Code, issued in 1993. This unified Code replaced and rationalised the old Establishment Officer's Guide and Civil Service Pay and Conditions of Service Code, together with a multitude of circulars and guidance notes, which sought to regulate in detail from the centre the requirements placed upon departments and staff.

2.35 The Code sets out clearly for departments and agencies the key principles which apply to the recruitment and management of all staff throughout the Civil Service. These require departments and agencies to make decisions about the recruitment and management of staff objectively on the basis of merit, reflecting equality of opportunity irrespective of race, gender or disability. They also set out the standards required of staff as regards conflicts of interest, constraints on political activities, the handling of information received officially in confidence, propriety and integrity in handling and accounting for public money, and the acceptance of personal benefits. Departments and agencies are required to reflect these standards appropriately in their own regulations for staff. In addition, the Code sets out a minimum framework of centrally-determined rules, for example on business appointments, which all departments and agencies are required to apply directly to their staff. In this way, the Code establishes throughout the Civil Service a framework of principles and rules which can deliver, through departments and agencies, the

standards expected of civil servants individually and of the Civil Service as a whole.

2.36 In accordance with its policies on openness, the Government has in recent years made public many of the documents setting out the responsibilities of Ministers and of civil servants which were previously circulated only within government. "Questions of Procedure for Ministers", first published in 1992, sets out, amongst other things, the responsibilities of Ministers towards civil servants. The Armstrong Memorandum, which is incorporated within the section of the Civil Service Management Code dealing with matters of conduct, sets out the responsibilities of civil servants towards Ministers. The Government and its predecessors have consistently taken the view that, within our constitutional arrangements, the standards and ethics essential to the operation of the Civil Service, described in these documents, are well founded and well understood.

2.37 The Government recognises that others, however, feel that a statutory Code, or even a Civil Service Act, could usefully strengthen current arrangements. The Sub-Committee of the Treasury and Civil Service Committee is currently examining this issue. The Government looks forward to its recommendations, which it will consider carefully. The Government's main objectives will be as they have always been: first, to ensure that any future arrangements continue to provide a clear and well-understood basis for the maintenance of a non-political Civil Service, committed to high standards of integrity and impartiality; and, secondly, to ensure that the arrangements in place provide sufficient flexibility for the further continuous development of the management of the Civil Service, in the interest of those who rely on the services it delivers, taxpayers and staff, which will build upon the achievements of recent years.



## CHAPTER THREE: **A FURTHER IMPROVEMENT IN PERFORMANCE**

3.1 Departments and agencies have made very substantial improvements in the efficiency of their operations and in the standards of service that they offer. This is reflected in a range of examples of better quality service provision under the Citizen's Charter. With greater efficiency, there has been a continuing contraction in Civil Service staff numbers. Departments and agencies have achieved these results by concentrating increasingly on specifying outputs - the job to be done - and standards to be met under the Citizen's Charter and by focusing on how best to deliver them with the resources available, within tight control of the costs of running the Civil Service. Better trained staff, the application of information technology and better quality accommodation, more efficiently utilised, have all played a part. The result has been a radical overhaul in the organisation of the Civil Service and the ways in which it works. The ability of the Civil Service to compete with private sector providers has been shown by the success of a number of Civil Service teams in market tests. Much has been asked of staff in achieving change while sustaining delivery of programmes of importance for everyone in the United Kingdom. The Government wishes to pay tribute to the contribution that staff at all levels have made to this achievement.

### **IMPROVING SERVICE UNDER THE CHARTER**

**In 1990 income support claims took, on average, 5 days to clear. In 1992/93 the average time taken to pay them by the Benefits Agency was 3.5 days.**

**In 1993 the Employment Service met its target for setting up new claims to benefit in more than 94% of cases, compared to less than 87% in 1990-91.**

3.2 But more remains to be done. There are important differences between the work of Government and that of the private sector, in terms of the framework of accountability to Parliament within which departments and agencies operate and of the requirement on them to serve equally all those with an entitlement to a particular service. But Government must set itself a similar challenge to that faced by the rest of the economy. The Government believes that there is considerable potential for further improvement in quality of service, within available resources, and in efficiency. The very substantial improvements within many parts of the Civil Service and those made by former public sector companies and by many other large organisations, have demonstrated what is possible. The Government is confident that further substantial improvements are a realistic goal for the Civil Service, and one that must be pursued vigorously in order to maximise value for money within limited public funds.

3.3 The Government depends on civil servants themselves to deliver these potential gains. It believes that the key to maximising their contribution is the extension of the existing policy of delegating responsibility for management decisions from the Treasury and the Office of Public Service and Science (OPSS) within the Cabinet Office to departments and agencies. This will provide them with greater scope to develop, within constrained resources, plans closely tailored to their own needs and circumstances. The Government will expect these plans to embrace a range of policies, including extending competition through robust application by departments and agencies of the Competing for Quality and privatisation initiatives to which the Government remains firmly committed. But it will be for departments and agencies themselves to take the lead in combining the right policies into a coherent package in the light of detailed knowledge of their own situation.

**IMPROVEMENTS IN  
EFFICIENCY**

**Computerisation and changes in working methods in the Benefits Agency enabled output per member of staff to increase by more than 20% in the first two years of the Agency's existence. The Agency is now dealing with a workload which would have required 15,000 more staff in 1990. At the same time clearance times for major benefits, such as Income Support, have been reduced by 30%.**

**The Key Disciplines**

3.4 This approach, built round extending delegation, is described further in the rest of this chapter together with other "levers for change". It will operate within the framework of two key disciplines: the commitment under the Citizen's Charter to clear standards of service for the citizen and to a clearer definition of output targets and continued tight control of the costs of running the Civil Service.

**Outputs and the Charter**

3.5 In improving performance, the first need is to build on what has already been achieved in developing output targets and improving quality standards within available resources.

**Focus on Results**

3.6 The Government welcomes the improvements which have already been made in setting clear objectives, standards of service and targets for performance, particularly for executive agencies within Government. Each agency's objectives relate to: the outcomes Ministers have asked the agency to achieve; quality of service to the customer, including the delivery of Citizen's Charter standards; the efficiency with which the service is provided; and the financial performance of the agency. Key performance indicators are agreed between the Minister and the Chief Executive of the agency, and the Minister sets targets against these indicators each year to challenge the agency's performance. Improvements have also been made in the way in which the centres of departments define their aims, objectives and outputs and measure performance against them, and report the results in departmental reports - but there remains scope for strengthening these procedures.

### **Quality Standards**

3.7 Under the Citizen's Charter, standards are being set for the level of services that individual users can expect. The Charter requires these standards to be set in absolute terms, so that individual citizens know exactly what they are entitled to expect. Within central government, executive agencies are responsible for the majority of services provided direct to the public. All executive agencies that serve the public directly have already published, or are preparing, a statement of their Citizen's Charter standards. The Government is committed to ensuring that all users of its services have clear information about the standards they are entitled to expect; that there are swift and effective remedies, and, if appropriate, compensation, if things go wrong; and that the other Charter principles of openly reporting results, treating the public with courtesy and helpfulness, and offering value for money are robustly implemented.

<b>CHARTERS PUBLISHED BY EXECUTIVE AGENCIES</b>	<b>Agency</b>	<b>Charter</b>
	<b>Benefits Agency</b>	<b>Customer Charter</b>
	<b>Child Support Agency</b>	<b>Child Support Agency Charter</b>
	<b>Contributions Agency</b>	<b>Contributor's Charter Employer's Charter</b>
	<b>Employment Service</b>	<b>Jobseeker's Charter</b>
	<b>Highways Agency</b>	<b>Road User's Charter Acquisitions Charter</b>
	<b>NI Child Support Agency</b>	<b>Child Support Agency Charter</b>
	<b>NI Social Security Agency</b>	<b>Charter for Social Security Agency Clients</b>
	<b>Training and Employment Agency NI</b>	<b>Training and Employment Agency Customer's Charter</b>
	<b>Customs and Excise</b>	<b>Taxpayer's Charter Traveller's Charter Freight Charter</b>
	<b>Inland Revenue</b>	<b>Taxpayer's Charter</b>

### **Better targets**

3.8 Identifying and setting clear standards for outputs is essential. Properly specified and monitored targets will continue to be a powerful tool, forcing organisations to examine their processes to improve efficiency and effectiveness and to enable standards to be raised over time. Targets need to cover the breadth of an organisation's activities, to avoid resources being redirected towards areas where performance can be easily measured, and away from areas where measurement is more difficult. It is also important that top-level targets are linked to, and informed by, lower-level internal management targets developed for each area of an organisation's work and that targets are developed which are challenging but

considered deliverable within the organisation itself. This will encourage "ownership" of the targets by those committed to delivering them.

3.9 Departments and agencies are strengthening arrangements for the discussion of targets, including the arrangements for independent advice for Ministers on the level of performance which they should expect from individual agencies. Many Ministers have advisory boards to assist them with setting targets, to advise on the monitoring of agencies' performance and to act as a link between the Minister and the agency. These advisory boards typically consist of a mixture of civil servants, who are familiar with the work carried out by the agency, and outsiders who bring business expertise or knowledge of the market in which the agency operates.

3.10 The Government is committed to improving the target-setting process in other ways across government as a whole, extending it to the centres of departments as well as to agencies. In each area, management is now looking at how best to measure performance, for example, by developing unit cost or productivity measures, or by consulting users to establish what most matters to them and then measuring performance against Charter standards set in these areas. Where users - whether members of the public or other government departments - have responsibility for buying the service and can be clearly identified, the function can be established as a trading fund. For trading funds, Ministers set targets for rates of return on capital and/or other indicators of financial performance. This means that trading funds have targets for financial performance similar to those used by equivalent service providers in the private sector. Target-setting can also be based on comparisons with similar processes carried out elsewhere (see paragraph 3.31 below).

<b>TRADING FUNDS</b>	
	<b>Royal Mint</b>
	<b>Her Majesty's Stationery Office</b>
	<b>Central Office of Information</b>
	<b>Vehicle Inspectorate (DoT)</b>
	<b>The Buying Agency (DOE)</b>
	<b>Companies House (DTI)</b>
	<b>Patent Office (DTI)</b>
	<b>Fire Service College (HO)</b>
	<b>Defence Research Agency (MOD)</b>
	<b>HM Land Registry</b>
	<b>Medicines Control Agency (DH)</b>
	<b>Chessington Computer Centre (OPSS)</b>

### ***Running costs***

3.11 The second key discipline in improving the performance of the Civil Service is continued tight control of Civil Service running costs. The primary objectives of running costs controls are to promote economic and efficient administration in central government by containing gross administrative costs, including pay, and maintaining downward pressure on the size of the Civil Service. The public spending plans published with the Budget included running cost

provision of about £20 billion for 1994/95. These plans are constructed on the basis that increases in pay and prices will be offset by efficiency improvements, with adjustments for changes in workload where necessary.

3.12 The Government will expect departments each spring to put forward efficiency plans explaining how they intend to deliver the savings required by running costs constraints over the coming three years. Departments will be able to draw on a range of measures including those discussed below in developing these plans. With increased delegation, departments will have more freedom than they do now to choose which levers to pull, and how hard to pull them.

3.13 The Government does not believe that staff numbers should be the primary focus of attention. Controlling staff numbers is not a particularly effective means of reducing costs and can perversely result in increased costs where more expensive substitutes for Civil Service staff are used simply because of the need to reduce numbers to pre-determined limits. The Government is certain that effective and sustained control of running costs will provide a more soundly-based route to stepping up the efficiency of the Civil Service, without the unwelcome rigidities of manpower targets.

**The Levers** 3.14 Within this twin framework, further delegation is a key component in achieving a substantial improvement in performance. The additional delegations are described below, together with other important levers for change. The crucial role of staff development is discussed in Chapter Four.

#### ***Better management information systems and resource accounting***

3.15 Departments have long recognised the importance of management information systems and, drawing on both private and public sector experience, have developed systems to meet their own specific needs. But the Government believes that such systems are not yet being used to their full advantage. To help rectify this, as announced in the recent White Paper on Competitiveness<sup>1</sup>, the Government's Efficiency Unit is conducting a scrutiny to determine departmental and agency needs, to consider best practice in both the public and private sectors, and to make recommendations for further development. The results of this scrutiny will help departments and agencies to develop management information systems that provide them with more accurate, timely and comprehensive information presented in the most effective format. This will enable managers to take soundly-based decisions reflecting a better understanding of the relationship between inputs and outputs in their organisation and to allocate resources more efficiently and effectively. It will also help to ensure that departments and agencies plan effectively to achieve the efficiency increases required.

3.16 This work is closely related to the development of accruals-based resource accounting and budgeting in departments. In his Budget last November, the Chancellor of the Exchequer announced a decision, in principle, that government departments should introduce resource accounting systems, based on commercial accounting principles, similar to those which are already in place in executive agencies and in most other parts of the public sector, including NHS bodies and local authorities.

3.17 The Government's detailed proposals are set out in a Green Paper on Resource Accounting and Budgeting. The introduction of resource accounting will help departments to manage their finances and resources - current and capital - more efficiently and effectively, and is fully consistent with the more strategic approach to the planning and control of public expenditure which has been followed since the launch of the Financial Management Initiative in 1982. It will enable departments to relate the cost of their inputs more closely to their objectives and outputs.

#### ***Published information about results***

3.18 In line with Citizen's Charter principles, departments and agencies are required to publish information about the delivery of Charter Standards, wherever possible in comparative form, so that users can see how their local service measures up to the best. Together with the publication by agencies - and increasingly, also by departments - of performance against their key targets, information of this kind will increasingly place the emphasis where it belongs - on results.

#### ***The efficiency agenda***

3.19 The Government believes that effectiveness and efficiency will be increased by distinguishing clearly between the Government's role as a purchaser of services on the one hand and the task of providing those services on the other. The benefits of this distinction are further enhanced if the choice of provider is informed by competition. Under the Competing for Quality and privatisation programmes, the way in which the Government's needs are met is exposed to competition, by privatisation, by contracting out for strategic reasons, or by enabling outside bidders to compete with the existing Civil Service supplier. The Government remains committed to promoting competition as a powerful means of improving efficiency in the Civil Service.

3.20 Up to now, there has been strong central impetus behind, and detailed oversight of, the Competing for Quality and privatisation initiatives. This was to be expected in the early stages of more demanding programmes. The Government believes that departments and agencies should now be given greater freedom and flexibility to develop programmes for improving efficiency which best meet their own needs, with less detailed central oversight of those plans.

After considering the challenges it expected to face in the 1990s, the Inland Revenue drew up four key objectives for the information technology support it would need:

- **substantial improvements in cost-effectiveness;**
- **the ability to develop and enhance computer systems more quickly;**
- **rapid access to the information technology developments and skills of the 1990s;**
- **to provide the best possible career opportunities for existing staff in the area.**

**It used these objectives as the basis for evaluating a competitive tendering exercise, designed to establish if contracting out IT support would bring benefits. The outcome is that the Inland Revenue has begun a partnership with EDS, a private sector supplier. EDS will support the Revenue in achieving the objectives above allowing it to concentrate on assessing and collecting tax.**

3.21 As described in paragraph 3.12 above, from 1995 departments and agencies will draw up efficiency plans each spring indicating what measures they propose to take to stay within their running costs limits for the coming three years. These plans can be expected to include any of the techniques described here, including privatisation, strategic contracting out and market testing measures, where departments' intentions will continue to be published, in line with the Government's commitment to ensure greater private sector involvement through competition. The emphasis will be on departments viewing these policies as important tools available to them to achieve the necessary gains in efficiency, while setting them in the wider context of a coherent departmental strategy including, for example, proposals for reorganising management systems and processes. The Efficiency Unit in OPSS, in co-operation with the Treasury, will review these plans - and discuss them with departments where necessary - both when they are drawn up and when departments report achievement against commitments. This approach should produce a better focus to departments' efforts to deliver key outputs in the most efficient way depending on their particular circumstances.

3.22 The "prior options" process, under which activities are reviewed to see whether they should be abolished, privatised, contracted out or market tested, or organised in an agency, will continue largely in its current form. There will in future be a five-year period between reviews after an agency is created, the same interval as for non-departmental public bodies. This will provide a more stable framework in which departments and agencies will be able to plan ahead to improve performance.

#### ***Delegation of pay and grading***

3.23 Until recently, pay and grading systems in the Civil Service were largely centralised. The bulk of staff have been in grades common across the Service. Centralised pay systems covered groups of staff whatever department they worked in, with settlements negotiated

nationally between the Treasury and the unions concerned. Where there have been different arrangements for particular groups of staff, for example those employed in prisons, there was nevertheless central control and negotiation.

3.24 In the past few years the Government's policy has been to disaggregate these arrangements. It believes that comprehensive systems of this kind are no longer best suited to a Civil Service which carries out a huge number of different tasks and delivers a wide range of services. They tend to constrain managers so that local needs cannot adequately be met, nor tailored arrangements developed. In line with the Next Steps Initiative there has been a programme of delegating responsibility for pay and grading. As a result, around 60% of all civil servants are now covered by delegated pay bargaining arrangements at agency or departmental level. Responsibility for grading and for pay systems has also been delegated, though structures have not all been changed at this stage. This delegation has embraced the staff of 20 executive agencies, Inland Revenue, Customs and Excise and the Health and Safety Executive, together with all industrial civil servants. In addition the Government has already announced that all remaining executive agencies employing more than 500 staff, together with larger agency candidates, have been invited to make proposals for taking on pay and grading delegation where this is appropriate to their needs.

3.25 Experience has shown that delegated pay and grading systems have a number of advantages. They can be more flexible and more closely tailored to the needs of the organisation. No two Civil Service organisations are identical, any more than two organisations elsewhere in the public or private sectors. It is right that pay and grading systems, like other management arrangements, should be attuned to individual circumstances and relevant labour markets. In that way an organisation is able to focus more closely on the delivery of its objectives, to exercise direct control over the costs and quality of staff, to maximise value for money from its paybill, and to ensure that business needs are fully reflected in the management of staff. An example of the latter is performance-related pay; it is right that there should be a clear link between an individual's pay and their contribution to the achievement of the organisation's objectives.

3.26 The Government proposes to extend this policy, so that by April 1996 responsibility for the pay and grading of staff below senior levels should be delegated to all departments and the existing national pay arrangements replaced. This will remove the rigidities inherent in the current system. The existing consultation arrangements for delegation made under the Civil Service (Management Functions) Act will apply in each case. Arrangements for staff at senior levels are described in Chapter Four. The Government is keen, in addition, for each agency within a department to be responsible for its own pay and grading.



3.27 Such delegation will be a very important step, assisting departments and agencies to achieve additional efficiencies, to improve delivery of services in accordance with the principles of the Citizen's Charter, and to establish pay and grading arrangements which reflect the proper interests of staff. It will be a valuable mechanism to help departments to achieve the efficiencies necessary properly to reward staff within agreed running costs. It should also enable departments and agencies, in consultation with staff and trade unions, to re-examine the old-fashioned distinction between 'industrial' and 'non-industrial' staff.

3.28 The Government believes that the pay of civil servants should be set on a fair basis which reflects the need to recruit, retain, and motivate staff of the right quality and recognises good performance. This applies at all levels. It is also the Government's policy, as the Chancellor of the Exchequer announced on 14 September 1993 and reiterated in his Budget statement on 30 November, that pay increases have to be covered from efficiency savings and other economies.

**ACHIEVEMENTS THROUGH  
DELEGATED PAY AND  
GRADING**

**In 1990, HMSO became the first government department to develop and negotiate its own pay and grading structure. It reduced its number of management levels to allow quicker, more customer-responsive decision making and to increase the amount of personal responsibility. It introduced a much more flexible pay system, consisting of overlapping pay bands, to enable reward to be more closely matched to the contribution made.**

**The Inland Revenue has introduced a new pay and grading structure with five broad pay bands replacing more than 120 separate grades. The objectives of the new structure were to establish a single staff group below Grade 3 with unified pay and personnel policies, greater flexibility in matching recruitment and retention needs and improved motivation for productivity and efficiency through a new performance management system, linked to a performance pay regime. The restructuring was designed to achieve flatter management structures, working to the principles that:**

- **there should be no more than one management layer between the Chairman and the Controllers of the Revenue's Executive Offices;**
- **there ought to be no more than four layers of management above clerical levels in each Executive Office.**

***Management structures***

3.29 Departments and agencies need to examine rigorously the number of management levels and the breadth of the responsibilities of individual managers in any chain of command to ensure that they are appropriate to the tasks of that particular organisation. The present central grading system, with fourteen levels from Permanent Secretary to the most junior level, may inhibit this. Although these levels are employed flexibly and are never all used in a single operation, nonetheless there is a risk that more of them may be used than necessary. As departments take responsibility for their own staffing structures and for pay, the presumption is that they will want to develop flatter management structures, as has been the experience

in those agencies and departments which have already used the flexibility of delegation to develop new pay and grading arrangements. The new senior management reviews (proposed in Chapter Four) will add impetus to this process. But, in addition, departments will be given strong encouragement to examine all layers as they replace the central grading system with their own arrangements.

3.30 Removing unnecessary layers in the management chain - from the very bottom to the very top - is not primarily directed at reducing staff numbers, though it will have some impact on them. It should:

- allow responsibility - for managing budgets and staff, for delivering services, or for providing policy or technical advice - to be borne at the right level, increasing job satisfaction;
- increase management spans, reducing unwarranted supervision and duplication of effort; and
- result in more effective management, as managers become empowered to take decisions.

#### ***Greater use of other management techniques***

3.31 Departments and agencies will wish to make selective use of the range of available management techniques to help them to improve efficiency and the delivery of services, and to re-organise staffing structures. Much work is in hand in the area of "quality management" and on staff development (as touched on in Chapter Four). Among other relevant techniques are those which:

- link activities and their costs to objectives, and agree the priority of activities to make best use of available resources in the light of information from customers on what levels of service are required ("priority-based cost management");
- compare performance between different organisations, or different units within a single organisation, undertaking similar processes. Comparisons between a range of performance indicators can be used to identify, and work towards, best practice and to ensure that managers do not become complacent about areas which are, internally, considered efficient ("benchmarking");
- fundamentally re-think existing processes by considering what final service, or output, is required and how it can best be delivered, ignoring current functional and organisational boundaries ("process re-engineering").

Departments and agencies are already employing these techniques and will find some more useful than others, depending on their particular circumstances. To help departments and agencies consider how best to use them, the central departments will promote projects bringing together a number of departments and agencies, disseminate the resulting examples of best practice, and issue

guidance. In bringing about successful change through these and other techniques, it will be important to encourage participation by staff at all levels, in order to draw on their experience and insight into how, at a detailed level, tasks can be better performed. Effective communications up and down organisations will be crucial.

**IMPROVING PERFORMANCE  
BY MANAGEMENT  
TECHNIQUES**

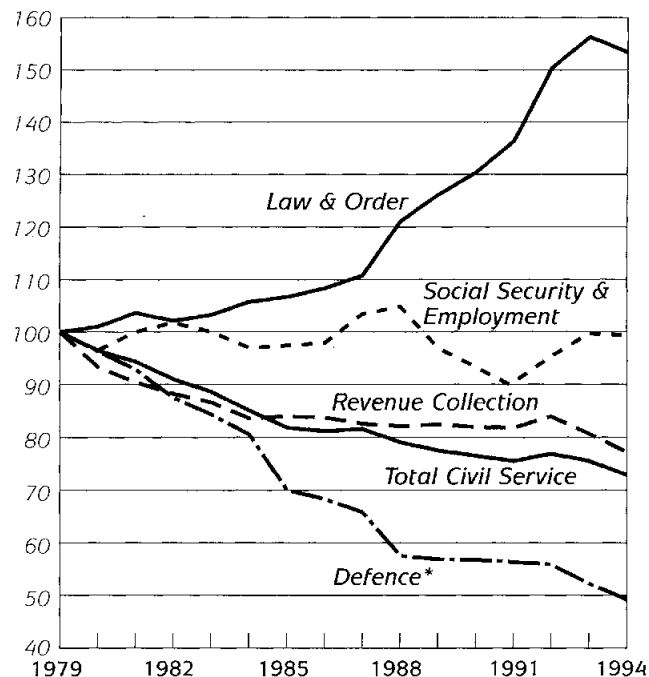
**The Defence Research Agency has examined all its activities and processes and introduced best private sector practices, particularly in financial and commercial management. It is now using process re-engineering to simplify and improve continuously its operation and its information systems.**

**The DRA compares its performance and value against best practice in the private sector. In an annual exercise it compares standards in its 100 business areas against the best in relevant UK and international companies.**

**Future size of the  
Civil Service**

3.32 The size of the Civil Service continues to fall and now stands at 533,350. There has been a reduction of 32,000 since January 1993.

**Trends in Departmental staffing since 1979  
(1979 = 100)**



\* Defence includes Royal Ordnance Factories.

3.33 The Government's firm commitment to controlling running costs, to increasing the use of competition to select providers of public services, and to maximising the efficiency of government will mean that this trend will continue. Over the next four years, new areas of Civil Service work will be subject to competition, though the extent to which this impacts on staff numbers will depend on the precise mix of mechanisms chosen by departments to achieve the necessary efficiency improvements, and the results of competitions where they take place. In some areas, decisions to contract out substantial areas of work or to increase the use of information technology may lead to larger reductions in staff numbers; in others, departments and agencies may concentrate on economies or

efficiencies which have a smaller effect on staff numbers. On the basis of experience so far, recognising the challenging nature of running costs targets, and allowing for further opportunities for outsourcing and privatisation, the Government would expect Civil Service manpower to fall significantly below 500,000 over the next four years. The Government does not intend to set specific manpower targets either globally or for departments; it firmly believes that control should continue to be exercised through running costs rather than staff numbers.

***Fair treatment for staff***

3.34 As in recent years, recruitment is likely to be limited in scale, there will be tough competition for promotion and some staff will retire early. In this climate it will be even more important that departments and agencies have in place effective policies and practices to secure equal opportunities for all, regardless of gender, race or disability.

3.35 The Government's aim has been, and will continue to be, that reductions in the size of the Civil Service should as far as possible be achieved without redundancies. Normal turnover in a large organisation gives managers scope for this. In recent years about five per cent of staff have been leaving the Civil Service each year and in the Civil Service, as elsewhere, this figure may rise as the labour market changes. But the scale of the changes in prospect raises the possibility that in some areas some redundancies will be unavoidable.

3.36 To help in areas where early departures are necessary, whether voluntary or on a compulsory basis, the Government intends that, between 1 October 1994 and 31 March 1997, 80% of the cost of such departures should be met from the central Civil Superannuation Vote, with departments funding the other 20% from their running costs. Parliamentary approval for this expenditure will be sought in a Supplementary Estimate for the Civil Superannuation Vote.

3.37 Every effort will be made to ensure that civil servants will be treated in a way which is fair and reasonable. A number of flexibilities are available to assist with early release and outplacement services may be employed to assist staff in finding new jobs. Further flexibilities within the current exit terms are under consideration. The Government will wherever possible deal with reductions on a voluntary basis. There will be full consultation with staff and unions as appropriate.

**The Challenge:  
New Skills, Better  
Management**

3.38 All these changes are placing, and will continue to place, heavy demands on staff right across the Civil Service. New skills and competences will need to be developed at all levels and greater responsibilities accepted within departments and agencies. Better training for all and effective management development will be crucial to improving performance in policy making and service delivery. The next chapter sets out the Government's proposals for change in those areas, including at the most senior levels where staff, as elsewhere, must continue to show their ability to adapt.

**Improving and  
Managing Performance  
in the Civil Service**

4.1 The challenge facing the Civil Service is to maintain - and further improve - the already high quality of its delivery of advice and support to Ministers and its management and delivery of public services on behalf of Ministers, while achieving the further improvements in efficiency described in the previous chapter.

4.2 To meet that challenge the Civil Service needs:

- to continue to develop a managerial, performance-based approach, building on the substantial progress already being made in agencies and in many departments;
- to make better use of its most important resource - the staff of departments and agencies - by providing the prospect of a career with a good employer, offering challenge and reward; by developing their skills to meet the managerial, technical and competitive challenges they face; and by ensuring equality of opportunity for all members of staff, irrespective of background, gender, race and disability.

4.3 These objectives are inextricably linked. Giving organisations and line managers clear responsibility for their results gives them a positive stake in taking responsibility for the management and development of staff. That is why, under the Next Steps Initiative, responsibility for personnel management has been devolved from departments to agencies. As defining the job to be done, setting clear objectives and targets and measuring performance extends more widely, more and more real responsibility for staff management and development is being passed to line managers both within agencies and the centres of departments. The change has already been dramatic.

4.4 Departments and agencies discharge their responsibility for the training and development of their staff in different ways. But the best approaches are characterised by:

- a firm grounding in the tasks of the organisation, both at a strategic and an operational level;
- acceptance that good staff development involves more than just good training courses. It encompasses on-the-job development, job moves and other opportunities to widen experience; it is planned through a close partnership between

individuals, their line managers and the relevant specialist functions; and

- high quality training.

4.5 Departments and agencies obtain their training from a wide range of sources, often including tailor-made programmes or individual courses designed either in-house or in association with external providers. In recent years, such training has focused much more clearly on the changing skills needed, including those of customer service. In addition, the Civil Service College has a clear remit to meet training needs of departments and agencies, particularly at more senior levels, and helps the cross-fertilisation of ideas between departments and between the Civil Service and the wider economy.

**IMPROVING TRAINING  
PROVISION AT  
THE CENTRE**

**The total volume of training provided by the Civil Service College has grown substantially: from 74,400 student days in 1990/91 to 96,400 in 1993/94.**

**The College has:**

- **expanded the range of focused support to departments and agencies by offering consultancy and tailored training, on customers' sites, as well as open courses. The number of students trained by the College on customers' sites rose from 3,600 in 1990/91 to 10,700 in 1993/94;**
- **increased the focus on training leading to professional qualifications in areas such as personnel management, information technology, purchasing and procurement, audit, consultancy and training skills;**
- **developed a new focus on relevant commercial skills such as purchasing and contract management;**
- **expanded its support for senior managers: the number of students at Grade 7 and above rose from 5,250 in 1990/91 to 8,020 in 1993/94;**
- **introduced major new programmes for top managers (Grade 3 and above), including new opportunities for first-hand exposure to change programmes outside the Civil Service.**

**A PERSONNEL STRATEGY  
TO MEET DEPARTMENTAL  
NEEDS**

**The Scottish Office has formulated a personnel strategy to ensure that it has the right people - in terms of calibre, skills and motivation - in the right job at the right time to meet its operational needs as efficiently as possible, while maintaining a caring attitude towards staff.**

**The strategy is based on four key objectives:**

- **To give managers a greater role in personnel issues and individuals more responsibility for their own development.**
- **To develop further the qualities of management and leadership in all Scottish Office managers.**
- **To enhance The Scottish Office's capacity to cope with change.**
- **To promote continuous learning by the organisation and by individuals.**

4.6 Much is therefore being done across central government to ensure that civil servants are equipped with the skills, experience and capabilities they need now and in the future. For example, the Competing for Quality programme has led to increased emphasis on the acquisition of new skills in purchasing and contract management.

As a result, 45% of purchasers in key government posts are currently working towards professional qualifications; the target is to have increased that to 75% by 1996.

4.7 Many departments and agencies have formal management development programmes in place at various levels. In particular, these programmes are playing an increasingly important part in the development of staff with potential for early promotion. Typically, these programmes are underpinned by competence frameworks, personal development plans, planned postings, project work, and targeted training. External qualifications feature in a number of the programmes; more generally, work is in hand in Cabinet Office (OPSS) to develop and launch a new public sector MBA programme by September 1995.

**MANAGEMENT DEVELOPMENT PROGRAMMES**

**Employment Department operates 'The Management Fast Track' for junior and middle managers with the potential to rise to more senior levels. Key features include targeted development activities structured around a competence framework, planned postings, a Masters-level management qualification, and regular progress reviews. There is an expectation that participants will be eligible for promotion on completion of the programme.**

**Benefits Agency also runs a 'Management Development Scheme' for its junior managers. Successful candidates are offered challenging posts to match their development needs, job-shadowing, mentoring, training and development designed to prepare them for a senior management role, and access to events and projects that provide a wider view of the Agency's work. Individuals are also required to study for a management qualification.**

4.8 All government departments are now carrying forward their plans to become Investors in People. In terms of making that commitment, and of introducing vocational qualifications programmes for their staff, agencies have been in the forefront. Equally, they have shown themselves ready to bring in outside expertise, including by the recruitment of new staff - both permanent and on contract - at all levels to fill gaps and acquire new ideas.

**INVESTORS IN PEOPLE**

**By the end of June 1994, the Investors in People National Standard had been achieved by:**

- ACAS
- MAFF (IT Directorate)
- Benefits Agency (Cornwall District, Harrow and Hillingdon, and Preston)
- HM Customs and Excise (Glasgow Collection)
- Ministry of Defence (Base Ammunition Depot, Cumbria)
- Employment Service
- Fire Service College
- Inland Revenue (Accounts Office, Cumbernauld)

**NATIONAL/SCOTTISH VOCATIONAL QUALIFICATIONS (N/SVQs)**

- In 1993, the Benefits Agency introduced the largest single employer VQ programme in the country.
- Employment Service has a target of 50% of its workforce aiming for VQs by 1996.

4.9 Agencies, and the revenue departments (Inland Revenue and Customs and Excise) which operate on similar lines, are taking advantage of the new freedoms they enjoy to devise and introduce:

- new performance management systems, linking individual performance to the performance objectives of the organisation;
- revised pay arrangements, linked to performance;
- new, competence-based systems of promotion within flatter, more flexible management structures tailored to the needs of the organisation.

4.10 Similar changes are being introduced within the centres of many departments; and the proposed extension of the delegation of responsibility for pay and grading arrangements to departments, on the lines described in the previous chapter, will provide a further impetus.

**PERFORMANCE  
MANAGEMENT**

**Inland Revenue has developed an approach to performance management reflecting its streamlined internal structure based on five pay bands. The approach focuses on personal "contracts" between individuals and line managers; performance-related pay increases depend on whether or not objectives have been met or exceeded.**

**Department of Social Security Headquarters has developed a competence based approach to performance management. It covers recruitment, training and development, performance appraisal and promotion.**

4.11 Collectively the Government has a responsibility for ensuring that certain key employment policies are followed. For example, departments and agencies are required by law to observe the principles of fair and open competition on merit in recruitment. They are bound by the Government's commitment to a positive equal opportunities policy for staff. The central departments - Treasury and OPSS - have a role to play, too, in promoting and encouraging best practice across the range of human resource management issues, particularly at a time of such fundamental change. Departments and agencies have a lot to gain by learning from each other's experience; and the central departments can facilitate such exchanges.

**SUPPORT FROM THE  
CENTRE**

**Development Division in Cabinet Office (OPSS) designs and manages joint projects to develop frameworks and approaches for departments and agencies to adapt for their own use. Recent projects have focused on:**

- **Competence Frameworks**
- **Quality of Service Standards**
- **Objective Setting in Personal Review**
- **Delegating HRD Responsibilities to Line Managers**
- **Leading for Quality**
- **Developing Personal Review Systems**



4.12 But there is no single blueprint for success in every organisation. Responsibility for developing a managerial culture and improving the quality of skills of staff must rest ultimately with departments and agencies themselves. All the evidence suggests that the right overall strategy is to give priority to releasing the energy of managers at every level, who in turn realise the key to success is the performance of their staff. But there is still a long way to go. Success will depend on the rigorous pursuit of creative and imaginative policies - and above all on continuing top-level commitment.

### **The Senior Civil Service**

4.13 To deliver a sustained improvement in performance, the Civil Service must be led by a highly-professional group of senior advisers and managers working closely in support of Ministers both in the development and implementation of Government policy and in the management of services. This group should continue to give a lead in sustaining key Civil Service values and necessary continuity and the corporate wisdom that can be developed only over a number of years. Equally, it needs to have up-to-date analytical, management and leadership skills, and to be open to new ideas and to new people bringing them. It should continue to provide a focus for the career aspirations of civil servants recruited in departments and agencies at all levels.

4.14 This means that staff at senior levels must give a clear lead and sense of direction, including showing that, like the rest of the Civil Service, they can adapt to change. The Government commissioned the Efficiency Unit to examine the development of staff for senior posts, and their report on Career Management and Succession Planning<sup>1</sup> was published last year. The Government welcomed the report and its conclusions, making it clear that it wished to consider it in more detail before publishing a full response.

4.15 The Government has considered the Efficiency Unit's recommendations in the wider context of the changes in the Civil Service as a whole described elsewhere in this Paper. It accepts the Efficiency Unit's main recommendations. In addition, some of the Government's proposals go significantly wider than the recommendations of the report, both in terms of the numbers of civil servants covered and the nature of the change proposed. In developing new arrangements, the Government suggests that priority should be given to:

- leaner, flatter management structures with less emphasis on working through hierarchies and more scope for talented individuals to make their mark;
- improved career management and succession planning arrangements in departments and agencies, which encourage interchange and ensure that those who show a real track record of achievement can move quickly up the Service;

---

<sup>1</sup> ISBN 0-11-430092-5

- explicit, written employment contracts for senior civil servants; and
- better, more flexible pay arrangements which recognise increased levels of personal responsibility, reward successful performance and are capable of retaining high performers and staff with the greatest potential.

The Government's proposals for implementing these objectives are set out below. The Government would welcome comments on these proposals and will be consulting civil servants and their trade union representatives about them.

### ***Re-structuring the Senior Civil Service***

4.16 The most senior staff in departments and agencies must, in the Government's view, continue to be seen as a cohesive Service, as well as a departmental resource. This is important in order:

- to promote the most effective development and deployment of senior staff, in support of the work of the Civil Service as a whole;
- to promote an understanding of the collective interest of Government, in support of collective Cabinet responsibility, by encouraging movement between organisations, particularly for those with potential for top posts;
- to encourage both organisations and individuals to gain through the transfer of ideas between organisations; and
- to stop people being trapped in organisations or functions when they are capable of contributing more or better elsewhere.

4.17 Given the changes proposed above, the Government proposes that the key senior individuals in departments with responsibility for:

- ensuring that Ministers are given policy advice and support as required,
- ensuring that the Government's policies are represented accurately and are implemented effectively and efficiently,
- delivering or managing public services on behalf of Ministers,

should be identified as being members of the Senior Civil Service. It favours, therefore, including in the Senior Civil Service all Agency Chief Executives and covering, broadly, the range of responsibilities currently at Grade 5 level and above. Staff at Grade 5 level and above would therefore be brought within the proposed new pay and contractual arrangements for the Senior Civil Service set out below, to be introduced by 1 April 1996.

4.18 The new Senior Civil Service that would emerge from this process would be broader than the existing Senior Open Structure, which is confined to the current Grades 1-3. The Government believes there is merit in such a development. It would strengthen the cohesion not only of the senior management of departments, but also of the wider Senior Civil Service. Entry to the Senior Civil Service from within a department or agency would be marked for the individual concerned by leaving negotiated group pay arrangements and moving to individually-determined pay, and by acceptance of a written contract of service. It would be a signal to the individual and to his or her senior managers of the need to think more broadly, both in respect of the job to be done and, potentially, in career management terms, looking across the Civil Service and at opportunities for experience outside. The Efficiency Unit's report noted a step change in responsibility between the current Grades 7 and 5 - requiring the ability to manage through others and a greater role in representing the organisation externally. That accords with the Government's perception - and reinforces the case for extending the scope of the Senior Civil Service to encompass that level of responsibility. The Government's proposals for strengthening the arrangements for managing and developing the careers of individuals appointed to this level of responsibility, on entry to what will become the new Senior Civil Service, are set out in paragraph 4.23 below.

4.19 The Senior Civil Service does not consist of a homogeneous group of managers working in fixed hierarchies. Over one third of the current members of the Senior Open Structure (Grades 1 to 3) - about 650 staff in total - are specialists such as lawyers, scientists, economists, medical professionals and statisticians working in a variety of jobs. Some senior managers, including Agency Chief Executives, head or work in large organisations or units with wide spans of command; others are responsible for more specialised areas of policy development and implementation where spans of command are smaller but where the day-to-day pressures of providing support to Ministers are considerable. Numbers in the top three grades have reduced steadily (by 20 per cent over the last 15 years), and departments have, increasingly, been missing out grades within their own senior management structures or operating procedures.

4.20 It will be important to ensure that the top structure continues to be matched to the changing Civil Service, reflects increasing delegation and provides the maximum scope for staff at every level to contribute to the full. The Government intends to ask each department to complete a senior management review with the aim of:

- producing a new senior management structure for each department which:
  - eliminates unnecessary layers of management,
  - matches the needs of the organisation and is not driven by a formal Service-wide grading system; and

- informing the process of moving senior staff on to the new pay and contractual arrangements proposed in paragraphs 4.31 to 4.39 below.

4.21 The Efficiency Unit's report concluded that the Civil Service - like Civil Services overseas and other major employers in the United Kingdom - should continue to recruit and develop able staff with the expectation that the best performers will fill many of the most senior positions in the future. The Government agrees that the Civil Service must continue to offer a career which will attract some of the country's most able young people to form the core of the Senior Civil Service of tomorrow. It is essential to develop the professionalism of career civil servants both in policy development and implementation and as senior public service managers. The Government expects that most of the top Civil Service posts will continue to be filled by those with substantial previous experience of the work of government. At the same time, the Civil Service needs the skills and expertise matched to its changing tasks and departments and agencies will, therefore, advertise openly posts at all levels, including the most senior, where this is necessary and justifiable in the interests of providing a strong field or of introducing new blood (see paragraph 4.24 below).

4.22 The proposed arrangements for the new Senior Civil Service will provide for staff within the group - and offer able staff at more junior levels the prospect of - greater individual responsibility, more direct access to Ministers and Heads of Departments, enhanced job satisfaction and better arrangements for rewarding good performance.

### ***Career management***

4.23 This White Paper has considered the need to retain a core of senior managers with professional skills in the administration of central government. There is no successful country in the world which does not try to recruit early and develop some of its ablest men and women with the task of supporting elected Ministers in doing their jobs. To that end:

- The Government believes that the Civil Service must continue to recruit its share of the most talented graduates. In response to one of the recommendations of the Efficiency Unit's report, the Treasury and the First Civil Service Commissioner established a review of the current arrangements for the Civil Service's "fast-stream" recruitment schemes. The review has now been completed and the study team's report is being published simultaneously with this White Paper. The study team was assisted by an Advisory Group with outside representation. The team focused primarily on recruitment to the generalist AT and HEOD grade in the Home Civil Service, the area they perceived as most likely to need change. Around 100 or so people are appointed through this scheme each year (112 in 1993). The team's report reaches five main conclusions:

- the AT/HEOD scheme, alongside the other specialist fast stream entries, makes an essential contribution to meeting departments' needs for high quality recruits;
- departments need to update and clarify what they expect from, and offer to, these recruits, and how that relates to the training and development of staff recruited by other routes;
- the way the Service is presented to potential recruits needs to be improved to reflect more accurately the nature of the Civil Service in the late 1990s and to strengthen and broaden its appeal;
- the selection process itself, although already well researched, should be subject to independent audit to ensure that it operates effectively;
- there needs to be a clearer distinction between the recruitment schemes and the later, distinct process of identifying people with top management potential. The term "fast-stream" confuses the two and should be abandoned.

The Government welcomes this work and is considering the recommendations further.

- The Government accepts that the procedures for identifying and developing senior managers from within the Civil Service can be improved along the lines recommended in the Efficiency Unit's report. An action plan has been prepared for implementing the relevant recommendations. The Government attaches particular importance to:
  - effective management development programmes throughout the Civil Service, to ensure that staff with potential to fill the most senior management positions - from policy, management and specialist backgrounds - are identified and given suitable encouragement, guidance, development opportunities and training;
  - giving more civil servants more experience of work in outside organisations. There is already a substantial level of secondment and exchanges from and to the Civil Service. But the Government is committed to improving upon this level of interchange. The Cabinet Office will continue to play a role in stimulating and monitoring interchange with outside organisations;
  - greater interchange of staff between departments and between the centres of departments and agencies (as one element of the follow-up to a recent report<sup>2</sup> on managing agencies). Cabinet Office will also continue to play a role in promoting movements between departments in the context of the annual succession planning bilaterals;

- ensuring that new entrants to the Senior Civil Service in each department or agency are given an assessment of their career progress and training and development to that point, to identify potential “career anchors”, particular strengths and weaknesses and areas where they might have development needs. At the same time, the Cabinet Office will be given relevant information about the individual and their assessed potential, for succession planning purposes;
- a more systematic approach to the implementation of management development programmes for new entrants to the Senior Civil Service, building on the approach already being followed for Grade 5s in some departments and on the new courses being developed by the Civil Service College;
- ensuring that all individuals who have the potential for appointment to top posts within five years are assessed on a common basis across the Civil Service against agreed criteria;
- ensuring that selection for promotion is based on achievement and that depth of experience, as much as breadth, count in assessment for promotion. The aim should be to increase the time which staff in the Senior Civil Service spend in each job;
- ensuring that those with the highest potential attend the Top Management Programme: a well established, high quality residential course which brings together people from both the public and private sectors who are expected to reach the highest levels in their organisations, with the focus on understanding, adapting to and shaping change; and
- the need to improve the representation of women, ethnic minority staff and disabled staff in senior positions. Women are coming to the top in increasing numbers across the Civil Service, as the proportion of women in junior, middle and senior management positions also increases. An Advisory Panel is being appointed to advise the Head of the Home Civil Service on the steps to be taken to improve representation in senior management positions of people from an ethnic minority background and people with disabilities.

4.24 As noted above, the Government expects that the bulk of senior posts will continue to be filled by internal appointment, provided staff have the blend of experience and skills needed to perform at the highest level in work of a very demanding kind. At the same time, competition - both internal and external - can be valuable in injecting new perspectives and skills. Accordingly, as recommended by the Efficiency Unit’s report, the Government believes that the Senior Civil Service should consider systematically on each occasion whether to use competition as a means of filling vacancies, either by internal advertisement across the Civil Service or by full open competition. The Government proposes, therefore, that before filling any vacancy in the Senior Civil Service departments should be required to address

a number of prior questions on the lines recommended in the Efficiency Unit's report, as follows:

- is it necessary to fill the vacancy at all or at this level?
- if so, what is the nature of the job now and in the future?
- what qualifications, qualities, skills, experience and achievement record will a future job holder require?
- what are the requirements of the top team into which the individual needs to fit?
- is there a sufficient field of candidates already within the department, or in order to get a strong field is it necessary to extend the search to the wider Civil Service or to full open competition?
- are there wider reasons in the departmental interest or the corporate interest of the Civil Service as a whole to provide the opportunity for new blood to be brought into the department or the Civil Service through this vacancy?

#### ***Appointments and succession planning***

4.25 The Government proposes to retain the system under which:

- appointments to the most senior posts in the Civil Service (currently around 160 posts at Grades 1, 1A and 2) continue to be subject to the approval of the Prime Minister on the recommendation of the Head of the Home Civil Service;
- departments are required to conduct an annual succession planning assessment for the posts at the top of their department which are in this group.

4.26 With a new Senior Civil Service encompassing all staff at, broadly, Grade 5 level and above, departments will be required, in defining their new senior management structure, to identify in consultation with Cabinet Office (OPSS), as an aid to succession planning:

- the most senior posts within the department which will continue to require central approval on the lines described in paragraph 4.25, and
- the individuals within the group who are identified as having potential for appointment to these posts within five years.

4.27 Subject to satisfying the Civil Service Commissioners where outside recruitment is involved, it will be for departments to make appointments to and within the new Senior Civil Service, including appointments made following an internal competition, which do not fall within the category of posts where central approval is required. For posts where central approval is required the Head of the Home Civil Service will make recommendations to the Prime Minister:

- after a meeting of the Senior Appointments Selection Committee (SASC) (to which a senior private sector member has recently been appointed); or,
- following an open recruitment exercise conducted under the auspices of the Civil Service Commissioners.

4.28 In both circumstances the views of Ministerial heads of departments will also be sought on these very senior appointments, as they are now. However - again as now - Ministers will not be involved in the detail of appointments of staff at lower levels, nor the assessment of staff for performance-pay or other purposes. These are management responsibilities which will continue to fall to Permanent Secretaries.

4.29 The Government also proposes that:

- in the case of appointments to posts where central approval is required departments should explain to Ministers and SASC the case for the appointment method chosen: open competition, internal competition across the Civil Service, or internal promotion or transfer;
- the annual succession planning round should be used to identify senior posts which are expected to fall vacant in the forthcoming year and which might, applying the tests outlined above, be filled through open competition or internal advertisement; and
- SASC should review at least once a year the record across the Civil Service in using both open competition and internal advertisement over the previous three years, and reach a view on whether sufficient use was being made of both internal and outside competition as a means of opening posts to a wider range of applicants and bringing a fresh flow of talent into it from outside.

4.30 Open competition for senior posts has not in the past compromised, nor will it in future compromise, the maintenance of a non-political Civil Service, to which the Government remains firmly committed. One crucial cornerstone of quality and impartiality is that civil servants are recruited on merit on the basis of fair and open competition. The responsibility for securing that principle in respect of recruitment at senior levels rests with the Civil Service Commissioners; and the Government welcomes the conclusion of the recent review (referred to in Chapter Two) that the Commissioners' approval should be required, as now, for senior recruitment and propose that this should apply to recruitment to the future Senior Civil Service. When open competition is used, candidates from within the Civil Service will be considered in the same way as others.



### ***Terms of employment***

4.31 As the Efficiency Unit's report made clear, civil servants at all levels already have specific terms and conditions of employment. But they are not generally set down in one document; and some of the terms may not be well understood. In particular there is a belief in some quarters that civil servants have jobs for life. That is not the case. In the case of senior staff, more than 50 per cent of the individuals who have left the existing Senior Open Structure in the last seven years did so before the normal retirement age. 30 per cent of the departures were brought about by management through voluntary or compulsory early retirement. Further early departures are likely to be necessary after the proposed senior management reviews and in order to ensure that there are sufficient opportunities for the most able junior staff. These will continue to be handled as far as possible on a voluntary basis. Departments are now required to address systematically the case for using the early retirement and early release provisions currently available in respect of staff in the Senior Civil Service and to discuss progress in the annual succession planning bilaterals with the Cabinet Office.

### ***The new contractual arrangements***

4.32 The Government proposes to introduce explicit written employment contracts for members of the new Senior Civil Service - including the current Grade 5. The introduction of such contracts would remove any lack of clarity in terms and conditions of employment for members of the Senior Civil Service and would put them more on a par with their counterparts in other walks of life. The purpose of the contracts would be to set out clearly the main terms and conditions. Both members of staff and the employer have rights and obligations to which they should expect to be bound. A contract embraces both parties. A key element in the Government's thinking will therefore be to frame contracts which fairly reflect this.

4.33 The Government believes there should be one form of contract to cover the great majority of circumstances. It favours contracts in which employment is for an indefinite term but with specified periods of notice. These periods would be the same as generally apply now - three months in the case of resignation, six months for compulsory retirement and severance, and various shorter periods in other circumstances. The contract would cover the grounds on which employment could be terminated; entitlements such as pay, leave, pensions; other conditions of employment such as performance management, appraisal and appeals; and obligations such as mobility and conduct.

4.34 There would have to be some variations within this generally applicable form. The delegation of many personnel responsibilities to departments and agencies, and the proposals outlined in paragraphs 4.36 to 4.39 below for revised pay arrangements for the Senior Civil Service mean that some details of an individual's terms would be set at a departmental or agency level rather than nationally. To that

extent there could not be a single comprehensive contract applicable to everyone. There would have to be reference to local arrangements set out elsewhere, for example in departmental handbooks. But statements of such arrangements would be no less explicit and would, together with the contract document, constitute the full terms and conditions of employment.

4.35 The Government does not favour fixed-term or rolling contracts as a model for general application. But both types would have their part to play. There may be staff for whom, as now, employment for a fixed term will be appropriate, for example if somebody is selected on the basis of their skills to do a particular and time-limited job; for others, such as newly recruited senior managers, rolling contracts may be right. Departments and agencies would have discretion to use either of these alternative forms of contract as they judge best in the circumstances.

***Pay: responsibility, risk, retention and reward***

4.36 The pay system for the existing Senior Open Structure has changed considerably in recent years. For grades below Permanent Secretary the system is now entirely performance based and there are no automatic annual increases of any kind. There remain, however, some areas where further development would be appropriate and the proposed introduction of the new Senior Civil Service will make other changes necessary.

4.37 The level of and arrangements for the pay of senior staff should also take account of the nature of responsibilities they will in future exercise in the light of the measures proposed above. There may in future be fewer distinctions in job security between employment in the senior levels in the Civil Service and that at comparable levels elsewhere in the public sector or in the private sector. To the extent that this is the case, there will be less justification for the present discount in Senior Civil Service salaries. The salary structure at these levels as elsewhere needs also to accommodate open competition for posts in a way which, in general, handles internal and external candidates coherently. This is very difficult to achieve within the present pay structure. A more flexible structure is needed. In general, the Government believes that it will be in the national interest to have over a period a somewhat smaller but better paid Senior Civil Service.

4.38 The Government accordingly proposes a pay system for the Senior Civil Service on the following lines:

- a single pay range for all Permanent Secretaries up to and including the Head of the Home Civil Service. The level and extent of the range would be determined on the basis of the advice of the Senior Salaries Review Body (SSRB);

- a remuneration committee to determine the position of individual Permanent Secretaries within this range. There would be three outside members of the remuneration committee who would also be members of the SSRB. The Heads of the Home Civil Service and the Treasury would be members of this remuneration committee but would play no part in determining their own pay;
- below Permanent Secretary level, the Government proposes to replace the present central grading structure and has in mind a number of overlapping pay ranges broadly linked to levels of responsibility. These would provide some cohesion across the Senior Civil Service, while offering a good deal of flexibility for departments. Under this approach, individual Permanent Secretaries would control the pay progression of their staff taking account of performance, level of responsibility and marketability of their skills and experience;
- the operation of the system by Permanent Secretaries would be monitored, and adjusted as necessary centrally, to ensure adequate coherence between departments. The number of staff in each pay range will be published;
- the SSRB would continue to advise on overall rates of pay; and
- control of the cost of the pay of the Senior Civil Service would be exercised through the overall departmental paybill.

4.39 The Government believes that arrangements on these lines would provide a fair and practicable way of determining the pay of senior civil servants in accordance with the requirement to recruit, retain and motivate suitable staff and subject to the continuing policy on public sector pay referred to in paragraph 3.28. They would enable departments and agencies to reward high performance. They would also combine a proper element of departmental freedom with arrangements to ensure continuing cohesion across the Senior Civil Service. The Government envisages that the new arrangements would come into operation in two stages. First, the pay range for Permanent Secretaries and the remuneration committee would be established from 1 April 1995. At the same time the Government would implement the outstanding recommendation of the Senior Salaries Review Body<sup>3</sup> that the maximum of the pay range for the existing Grade 2 should be raised to £88,000 and for Grade 3 to £80,000; because the pay system for these grades is presently subject to a budgetary control this does not of itself cost additional money or provide immediate pay increases but could be expected to lead over time to increased differentials. The SSRB would also be asked to report in the usual way in 1995. Second, the full system would be brought into operation by 1 April 1996, with the establishment of the new Senior Civil Service incorporating the present Grade 5 and the move to written contracts for staff at this level.

---

<sup>3</sup> Review Body on Senior Salaries, Report No 34, Cm 2464, February 1994

## CHAPTER FIVE: **CONCLUSION**

---

5.1 Adjusting to change of this kind is an uncomfortable, sometimes painful, experience for the individuals and institutions involved but one which offers scope through greater delegation for more demanding and rewarding jobs at all levels. Like many other large service organisations the Civil Service has been confronting the need to manage reductions in the size of its work force as a result of competition and in the interests of improved efficiency. That task will intensify over the next few years. Familiar working patterns and procedures will also change. The Government does not underestimate the difficulties this will cause. But it believes that the Civil Service at all levels will emerge as a stronger, more flexible, better skilled organisation: smaller, costing the taxpayer no more, but - under the flexible pay arrangements being introduced at all levels - rewarded for improved performance.

5.2 Civil servants of the future will need to have both those skills particular to the profession of Government and the same commitment to performance and achievement found in the best outside organisations. They are certainly more likely to have had or expect to have outside experience. Many will still have direct contact with the public. Others will be managing the delivery of services to the public through contractors. There will be more movement into and out of the Civil Service at all levels. The best from inside the Civil Service will acquire responsibility and rise to senior levels more quickly.

5.3 This White Paper sets out the Government's proposed approach towards the Civil Service, stretching to the end of the century and beyond, building in an evolutionary way on what has already been achieved. It provides a clear framework for successful change. The Government is confident that civil servants, at all levels, have the ability to respond to the challenge of this changing world.



Printed in the UK for The Stationery Office Limited  
on behalf of the Controller of Her Majesty's Stationery Office  
Dd 5069122 9/99 019585 Job No. J0092840

Reprinted 1999



**The  
Stationery  
Office**

**Published by The Stationery Office Limited**

and available from:

**The Publications Centre**

(Mail, telephone and fax orders only)

PO Box 276, London SW8 5DT

General enquiries 0870 600 55 22

Order through the Parliamentary Hotline *Lo-Call* 0345 02 34 74

Fax orders 0171 873 8200

**The Stationery Office Bookshops**

123 Kingsway, London WC2B 6PQ

0171 242 6393 Fax 0171 242 6394

68-69 Bull Street, Birmingham B4 6AD

0121 236 9696 Fax 0121 236 9699

33 Wine Street, Bristol BS1 2BQ

0117 9264306 Fax 0117 9294515

9-21 Princess Street, Manchester M60 8AS

0161 834 7201 Fax 0161 833 0634

16 Arthur Street, Belfast BT1 4GD

01232 238451 Fax 01232 235401

The Stationery Office Oriel Bookshop

18-19 High Street, Cardiff CF1 2BZ

01222 395548 Fax 01222 384347

71 Lothian Road, Edinburgh EH3 9AZ

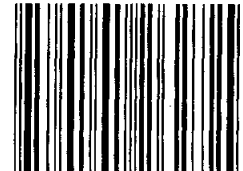
0870 606 55 66 Fax 0870 606 55 88

**Accredited Agents**

(See Yellow Pages)

and through good booksellers

ISBN 0-10-126272-1



9 780101 262729